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# STRENGTHENING SUBREGIONAL AND REGIONAL INTEGRATION AND FOSTERING INTERREGIONAL COOPERATION, AS WELL AS PROMOTION AND EXPANSION OF TRADE AMONG DEVELOPING COUNTRIES

Report by the UNCTAD secretariat

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## INTRODUCTION

1. This report has been prepared to assist in the discussion of item 3 of the provisional agenda for the second session of the Standing Committee on Economic Cooperation among Developing Countries adopted by the Committee at its first session in January 1993, and in conformity with its work programme adopted at the same session.[1] The report should, where appropriate, be read in conjunction with the report prepared for item 4 of the provisional agenda (TD/B/CN.3/9), as the latter gives details of the trends and policies outlined in the former.

2. The paper is in three parts. Chapter I contains a brief overview of the trends in policy initiatives taken in recent years in strengthening integration and cooperation processes and in promoting trade among developing countries. It shows that developing countries are not only taking measures to promote mutual trade expansion as the centre-piece of economic cooperation among themselves through the reinforcement of trade liberalization programmes, but also fostering cooperation in other areas such as industry, investment, money and finance, infrastructure and political matters.

3. Chapter II deals with the main problems and obstacles to the strengthening of economic integration and South-South trade expansion. Such problems relate to the objectives of integration, intra-grouping trade expansion, trade policies and trade control measures, various forms of monetary and financial cooperation, information and other trade support services, transport, and implementation aspects.

4. In chapter III, the main policy issues and recommendations for action are discussed with regard to trade policy and trade control measures and the development of services supporting trade expansion and economic integration such as monetary and financial cooperation, trade information services, and production and investment collaboration. The chapter also briefly discusses the question of transport links among developing countries, the institutional set-up and external support.

## I. MAIN TRENDS IN RECENT POLICY INITIATIVES[2]

5. The spectacular changes which have occurred on the international scene in recent years have generated new thinking, new attitudes and new approaches regarding the development problematic. Among developing countries, the search for a fresh vision of development consistent with the new realities manifested itself in their external economic-policy reforms aimed at enhancing their effective integration into the world economy. These reforms mainly relate to the switch from inward import-substitution-oriented policies to outward export-oriented and market-based policies of development with all their inherent features such as the liberalization of trade, deregulation of domestic economies, freeing of prices and removal of subsidies, moves towards currency convertibility, privatization of State-owned production and marketing enterprises and liberalization of investment laws to encourage more foreign investment.

6. At the same time, developing countries have striven to widen and deepen the process of regional and subregional economic integration and cooperation among themselves. The revival of expectations in subregional/regional economic integration and cooperation manifests itself in various forms, including: the adoption of treaties to create new economic groupings [e.g. the East African Community, the Association of Caribbean States]; the transformation of the character of existing groupings [the Preferential Trade Area for Eastern and Southern African States (PTA), the Southern African Development Community (SADC), the Central American Integration System (SICA)]; the revision of old treaties to introduce new elements and modalities to update and deepen the integration process, to widen the scope of cooperation, and to ensure more effective and speedy progress towards the realization of functional subregional/regional communities [the Economic Community of West African States (ECOWAS), the Caribbean Community (CARICOM), the Association of South-East Asian Nations

(ASEAN)]; and the enlargement of membership of economic groupings to cover wider geographical areas [PTA, the Economic Cooperation Organization (ECO) and the Bangkok Agreement].

7. Trade expansion through some form of customs union arrangement remains the centre-piece of subregional and regional economic integration. Many economic groupings have recently adopted measures to launch new trade liberalization programmes or strengthen the existing ones with the objective of achieving fully integrated subregional/regional economies. Efforts to this effect are taking place not only in Africa and Latin America and the Caribbean but also in Asia, which in the past tended to eschew deeper customs union schemes.

8. Nevertheless, from past experience, developing countries have come to realize that trade liberalization alone cannot bring about significant trade expansion if it is not coupled with cooperation in production and investment, especially with the involvement of the enterprise sector and its associations, and in physical infrastructure development and networks. Accordingly, attention is increasingly being paid to fostering cooperation in developing all these trade-supportive structures which contribute to the creation of an enabling environment for economic cooperation. Also in the area of monetary and financial cooperation, new instruments have been introduced in existing schemes and new facilities established. For example, some multilateral clearing and payments arrangements introduced traveller's cheques, swap arrangements or reserve funds, while new trade financing and export credit guarantee facilities were established, such as a short-term credit facility for commercial banks, a financing and rediscounting facility, and a reinsurance facility.

9. Moreover, many economic groupings have extended their cooperation to political, and sometimes military or regional security, matters. This has its merits as it opens the possibility of settling political differences within or between States which have often blocked progress in the implementation of integration programmes. Such cooperation could also assist in maintaining regional peace, without which no economic integration activities can be undertaken.

10. Finally, most economic groupings implement programmes in other areas such as external relations with the international community, human resources development, women in development, education, environment, health, technology, tourism and common disaster assistance.

11. The process of subregional and regional economic integration and cooperation has entered a new phase of revival and change which is likely to expand economic interrelations and strengthen political, social and cultural solidarity and functional cooperation among developing countries. Maintaining the momentum of this resumed phase of dynamism requires as a starting point the full implementation of the new integration/cooperation programmes agreed upon as these would constitute the building blocks for integration over the long run. Economic groupings understand this requirement and are taking various measures to accelerate the integration process among their member States.

12. Since the beginning of the 1990s, a novelty in the historical process of international cooperation for development has been the emergence of mixed groupings involving both developing and developed countries which focus on both trade and investment cooperation. The emergence of expanded economic spaces in Europe and North America and the consequent concern among some non-participating developing countries over their possible marginalization from these markets has fortified these countries' resolve to seek closer trading links with the mega-trading blocks. Thus, the establishment of the North American Free Trade Area (NAFTA) and the launching of the "Enterprise for the Americas" initiative of the United States have stimulated the interest of many Latin American countries and their groupings in joining NAFTA, like Mexico, or establishing free trade agreements with the United States within the framework of the above-mentioned initiative. Developing countries and territories of the Pacific Rim have expressed a strong interest in joining the Asia Pacific Economic Cooperation

(APEC). APEC, which was launched in 1989 as an informal grouping of 12 Asia-Pacific economies, was joined in late 1991 by China, Hong Kong, and Taiwan Province of China and, in late 1993, by Mexico and Papua New Guinea. Furthermore, a number of economic groupings such as the Arab Maghreb Union (UMA) and the Cooperation Council for the Arab States of the Gulf (GCC) have been discussing and negotiating possible free trade accords with the European Union.

## II. MAIN PROBLEMS AND OBSTACLES

### A. Objectives of integration

13. One major criticism of integration groupings is that their objectives are often too ambitious. It is said therefore that these objectives should be reduced in number and limited to, for example, cooperation in particular sectors (e.g. transport). However, it seems that the problem relates more to the timetables and sequencing of implementation rather than to the multi-sectoral character of their objectives. In most agreements for economic integration, there were provisions that all the member countries had to simultaneously accomplish the objectives in each stage, and within a given time period, which was often too short.

14. At present, for instance, most groupings have decided to establish free trade areas or common markets by around the year 2000. There is naturally a desire to consummate the common market process within the shortest period possible. Many member States, however, have not been able to keep up the pace, given their wide differences in stages of development, tariff structures and macroeconomic policies. Consequently the member State with the slowest rate of implementation has tended to determine the pace of the entire grouping's progress towards economic integration. This has often resulted in implementation of lagging far behind the agreed timetables of planned activities.

### B. South-South trade expansion

#### 1. Intra-grouping trade liberalization and expansion

15. As stated earlier, mutual trade expansion has been and remains the centre-piece of subregional/regional economic integration and of interregional cooperation among developing countries. Most integration groupings have focused their attention on intra-grouping trade liberalization measures and many others are moving toward free trade areas and common markets. This has been or is being done through tariff concessions, either across the board or, more often, for products in a negotiated list effective over a given period of time. The relaxation of non-tariff barriers is also provided for. In general, however, progress toward intra-grouping trade liberalization has been rather slow and intra-grouping trade remains small in comparison with total trade.

16. This is due to a number of problems such as: difficulties in the standardization and eventual harmonization of customs documents and tariff schedules; stringent rules of origin which often disqualify the bulk of manufactured and agricultural goods produced by member States; the fear, especially on the part of the less advanced countries, of loss of fiscal revenue; severe inadequacy of trade information; and problems of balancing the distribution of benefits and costs of economic integration, in particular, the possibility of industrial polarization in the more advanced member States.

17. In addition, in implementing trade liberalization measures, some groupings paid less attention to other sectors supporting trade expansion, such as production integration or monetary and financial cooperation, as well as the establishment of trading and banking networks.

## 2. Trade policies and trade control measures

18. The trade regimes of most developing countries in the 1970's and 1980's were protective, regardless of whether they followed policies of import substitution, export promotion or any mixture of the two. While this stance impeded both North-South and South-South trade, its impact on the latter was relatively stronger due to several reasons discussed below.

19. The tariffs of developing countries have certain characteristics in common which affect South-South trade more heavily than North-South trade, namely:[3]

(a) Average tariff rates still remain high when compared with those in developed countries - close to 40 per cent in developing countries as compared to slightly less than 5 per cent in developed - despite the fact that they have decreased over the past five years in most developing countries;

(b) In general, tariffs are lower for capital goods, which implies that the effective rate of protection of each specific industry tends to be higher than the nominal rate, thus producing a bias towards imports from developed countries which include much of the high-value capital goods;

(c) Because of the similarity in the productive structures of many developing countries, except those most industrially advanced or diversified, the pattern of protection tends to be similar, implying that products with the highest trade potential, by virtue of the production structure or comparative advantage, are also the most highly protected in other developing countries.

20. Non-tariff barriers of developing countries are often the result of the balance-of-payments problems and trade aspects of industrial policy. They include quantitative restrictions, prohibitions, licensing, prior depositing of foreign exchange, and rationing of hard currency. To the extent that South-South trade is not predominated by capital goods and industrial inputs and does not bring in as much hard currency, the relative weight of non-tariff barriers is heavy on South-South trade as compared to North-South trade. In addition, trade-supporting services (finance, trade information, etc.) in the South are weak, and thus traders from the South are generally less able to navigate through the maze of non-tariff barriers and bureaucratic procedures.

21. In recent years, many developing countries undertook trade liberalization and economic policy reforms to mitigate these problems. However, because such changes are yet to reduce tariffs to sufficiently low levels and eliminate much of the non-tariff barriers, and still have not changed radically the pattern of protection, the benefit of these changes seem to accrue more to North-South trade than to South-South trade.

22. To overcome access problems, many developing countries have embarked on an exchange of trade preferences with their developing country partners. Many such schemes exist at regional and subregional levels. In many instances, they involve multiple arrangements. Some countries run six different trade preference regimes according concessions to different groups of countries, in some cases with overlapping membership.

23. In general, the speed of unilateral liberalization, often an integral part of structural adjustment programmes, has exceeded the speed of changes in intra-developing-country trade preferences, leaving such preferences with shallow margins. The product coverage of many of them is not deep enough. In some cases, the products for which concessions are provided consist mostly of export goods of the conceding country (hence of little benefit for the preference-receiving countries) or of goods which are already accorded a most-favoured nation rate of zero (thus rendering concessions meaningless). Examples of these features can be found in some of the GSTP concession lists, and trade under GSTP still accounts for less than one per cent of the trade among participating countries.

## C. Monetary and financial cooperation

### 1. Trade-finance

24. The dearth of trade-financing facilities is a hallmark of many developing countries. According to an UNCTAD survey on the institutional capacity of trade-finance in developing countries, published in 1991, only 16 countries had fully fledged and specialized trade-finance institutions.[4] In fifty-six countries there was some modicum of institutional capacity, usually lodged at the central banks, which are by their very nature removed from trade-finance and have different, and sometimes even conflicting, objectives.

25. The terms and conditions typically offered by developing country institutions to their exporters are disadvantageous; the conditions of lending, in particular the collateral demanded, re onerous; and the percentages of exports financed are meagre. The credit, when extended, is short-term, and when commercial banks are involved, they usually extend such trade finance only to big established customers as part of bank-customer relationships.

26. In most developing countries, the institutional and financial capacity shortage has a particular impact on small and medium-sized exporters and on non-traditional exports (defined as either new exports or those calling for medium-term credit). The UNCTAD survey mentioned above highlighted the severe paucity of pre-shipment credit in foreign exchange. Post-shipment credit, while slightly more abundant, was also scarce.

27. These problems affect in particular South-South trade because developing-country importers are usually unknown to their exporters, their credit rating is seldom known to the exporter's banking sector, and the banks which might guarantee and sign their debts are either unknown in the exporter's banking sector or have no relationship with the domestic banks. Because of these discontinuities in the banking sectors, many exporters and importers have recourse to developed countries' banks to finance such trade, thereby incurring extra costs and tougher conditions than those enjoyed by developed country exporters and exporters to the North. In this context, it should be recalled that when the debt problem exploded, the country risk of the debtors was immediately superimposed on the credit risk of developing country exporters and importers, with the result that export credit dried up even for perfectly credit-worthy and viable transactions. Finally, it must be noted that international banks do not, as a matter of policy and preference, extend finance on a medium-term basis to exporters; trade-credit on longer terms can only be obtained from international markets as part of bank-customer relationships. This inevitably favours big firms with established credit records and is usually costly and limited in amount.

### 2. Export-credit guarantees

28. The significance of guarantees rests on two considerations. First, it enables creditors to offload their paper to other financial institutions in the domestic market, thereby increasing the funds available for trade-finance institutions. Second, it endows the guaranteed trade-finance paper with negotiability. In turn, "negotiable instruments" can be marketed in international financial markets such as the forfaiting market, thereby tapping external financial resources. Since guarantees presuppose the existence of trade-finance instruments and institutions, as well as a rating system for the credit standing of signatories, the institutional deficiency of developing countries in this respect is more acute than in trade-finance.

29. There are very few guarantee schemes in developing countries and less than a handful of regional/multilateral ones active in South-South trade credit. Views differ as to whether this function ought to be performed by the same institutions extending trade finance or separate specialized institutions. It would be preferable however to separate the two institutions for several reasons.

First, a finance institution will not have credibility if it does not charge the guaranteed paper at 100 per cent against its capital. Second, in most developing countries, guarantee institutions have to do the rating themselves, and their credibility depends on their independence. Finally, guarantees are a specialized business distinct from trade-finance.

### 3. Clearing and payments arrangements

30. Clearing and payments arrangements have been a prominent form of monetary and financial cooperation among developing countries; there have been in fact seven such arrangements.[5] Some of these have been successful due to a variety of reasons: the balance of the underlying trade, the scrupulous settling of debts, the size and multilateralism of the cleared trade, and the absence of persistent creditor or debtor parties. When such arrangements were successful (e.g. Asian Clearing Union (ACU), Latin American Integration Association (ALADI), PTA), clearing proved to save foreign exchange, offer some short-term trade-credit (when the arrangements had some credit lines or swaps), and reduce the cost of transactions. Even with convertibility becoming widespread, there are still real benefits from these arrangements:[6] they offer credit access and in the case of swaps, short-term balance of payments support; they enable traders to bypass intermediation through the international banking system and thereby reduce such costs as banking fees; they help harmonize trade regulations and offer a forum of monetary cooperation; they still save foreign exchange in the process of achieving convertibility, which might take years; and, finally, they promote policy coordination and expand the dimension of institutional integration.

### 4. Exchange rates

31. Two aspects of this problem have a special bearing on South-South trade. The first concerns the volatility of developing countries' exchange rates, and the second the impact on the terms-of-trade and competitiveness of movements of exchange rates under generalized floating. The first problem increases uncertainty and the cost of trade in view of the fact that hedging the foreign exchange risk is not always available for developing-country currencies and is costly when available. Where hedging in major trading currencies is available, the exporters/importers often run up against the foreign-exchange restrictions in force. As to the second aspect, movements against third currencies, especially those of competitors, considerably affect the competitiveness of exporters with their established trade partners, and thus make their profits more volatile. Since South-South trade is not highly diversified, the incidence of such losses is not likely to be averaged out.

### 5. Foreign exchange and credit regulations

32. The foreign-exchange and credit regulations in developing countries are in the main restrictive and form a part of the panoply of trade controls and trade policies under conditions of foreign-exchange shortage. As far as South-South trade is concerned, the following problems can be identified: restrictions on holding foreign exchange abroad; restrictions on borrowing from abroad and lending to developing country importers; divergences between market exchange rates and official rates; restrictions on the right of establishment of other developing country trade-finance institutions; and regulations on surrender of foreign exchange and advance foreign exchange depositing. The policy reforms undertaken by many developing countries have not yet attained a sufficient degree of liberalization to overcome all of these problems. Less than a dozen developing countries can be counted among the countries free of any capital controls.

## D. Trade information and support services

33. Exporters in developing countries lack adequate trade information facilities. Similarly, importers, used to the sophistication of established suppliers from the North, lack knowledge of developing country exporters and have little experience with the standards of developing country exports. The customs procedures of developing countries are not all standardized and harmonized with international norms and are typically complicated and lengthy. Moreover, product standards and safety norms are diverse and information regarding them is not well disseminated. These hindrances increase transaction costs for participants in international trade and prevent some companies from reaching international markets.

34. South-South trade is particularly hampered by these obstacles. Historical factors led to a much larger number of trade links being established between developing and developed countries than among developing countries themselves. Perhaps more importantly, South-North traders can rely on the extensive trade information networks available in the North to supplement the poor facilities available in the South. This is not the case for trade among developing countries.

## E. Transport

35. Free or easy movement of goods and people (mainly traders and other businessmen and investors) is one of the main conditions for the success of any trade expansion programme. However a major impediment to trade among developing countries has been the cost and inadequacy of transport. Indeed transport costs tend to be higher in developing countries than in developed countries. While freight costs were on average 4.4 per cent of the c.i.f. import value of developed market economies, the equivalent figure for developing countries was double, viz. 8.8 percent in 1990.[7] In addition, given that most of the transport infrastructure of developing countries was set up with a view to supporting South-North trade, transport costs between developing countries are even higher than average transport costs in individual developing countries. In some cases, transport links between developing countries do not exist at all.

## F. Implementation

36. Although subregional, regional and interregional unity, cooperation, coordination and integration is a basic concern of developing countries, operational activities to promote these objectives have generally lacked sufficient impetus for a variety of reasons. Some of these reasons are linked to the adverse external economic conditions of the 1980s, which undermined the developing countries' capacity to cooperate. However, other reasons which are inherent to the process of economic cooperation and integration exist, as delineated below.

### 1. Legal and institutional aspects

37. The proliferation of cooperation and integration groupings with overlapping membership and objectives, especially in Africa, has been one of the factors which undermined their effectiveness. For instance, most groupings depend on financial support from members, and countries that have membership in two or more groupings incur heavy financial burdens which are often beyond their means. Consequently, these countries cannot pay the financial contributions they owe to such groupings and they accumulate considerable arrears. Thus many groupings are experiencing great financial difficulties which have reduced them to implementing only a minimum part of their work programmes with a small number of professional staff.

38. The situation of groupings with overlapping objectives and functions within the same subregion creates a strong potential for duplication of activities, leading to uneconomical use of valuable and scarce financial and human resources. Attendance at high-level meetings of these groupings becomes costly and onerous for member States. These meetings often generate a plethora of decisions and acts which can be not only confusing to member States but also an administrative burden. For example, for a country with membership in three integration groupings, the coordination and application of common transit documents and customs forms becomes unmanageable for working officials.

39. Moreover, many of these groupings have not been successful in mobilizing external resources for financing their cooperation projects due, to competition between too many potential recipients of the limited resources made available by the same donors.

40. Implementation of decisions has often been a lengthy and frustrating process. Delays have been registered at each of the three phases of the implementation mechanism, namely: the ratification by member countries; the adoption of the required national legislation; and the actual implementation.

41. During the implementation phase in particular, one of the major causes of delay or non-implementation has been the inadequacy of the institutional capacity to fully implement the agreed programmes. Cases have been documented where policies were simply not implemented long after their formal adoption.[8] Moreover, national follow-up mechanisms are generally lacking for most groupings. This lacuna is manifested in member States's slow and low rate of ratification and implementation of acts and decisions adopted by the governing bodies of groupings. This contributed in some degree to a delay in the launching of trade liberalization schemes and to a failure in fulfilling financial obligations by member States.

42. A number of other factors created difficulties in the implementation of integration or cooperation programmes, such as: (a) difficulties in implementing any compensation or equalization scheme that involves transfer of resources in any integration arrangement between member countries, as well as in accepting the reduction in tariff revenues, which in theory should be compensated by an increase in consumer welfare; (b) pressure from major domestic agricultural and industrial groups which have operated in protected markets; and (c) civil strife and conflicts within and among countries that have adversely affected cooperation and integration within the subregion concerned.

### 2. Business sector participation

43. So far, in general, subregional and regional economic integration has been largely left to government officials, ministers and Heads of State, who met to adopt all the programmes and timetables for their implementation. The enterprise sector did not often participate in formulating these programmes, in particular the trade liberalization schemes and the corresponding list of products for preferential treatment. Consequently, the enterprises which normally should translate the agreed programmes into actual trade are often not aware of the opportunities for trade in products benefiting from preferences granted.

## III. MAIN POLICY ISSUES AND RECOMMENDATIONS

### A. Trade liberalization

44. Since the mid-1980s a wave of unilateral trade-liberalization has swept through many developing countries. The substance of this unilateral liberalization consists of a less interventionist stance by governments, and a market-oriented approach to trade and international financial flows.

45. The aim of trade liberalization is threefold: to expand trade in general, but North-South trade in particular, to reduce inefficiency in resource allocation and to save budgetary resources. Increased trade opportunities with the North stemming from global liberalization might however divert some existing trade from among developing countries, unless targeted efforts are made to encourage South-South trade as well. One particular consequence of global trade liberalization is the reduction in the value of concessions granted by developing countries to their partners entailed by the general tariff reductions. Many trade preference agreements of developing countries are affected by this trend.[9] Hence, **the Governments might wish to consider a serious re-examination of the existing intra-developing country preferential schemes and systems.** If developing countries wish to maintain the efficacy of such preferences, **the scope and contents of the mutual concessions may need to be expanded and deepened.** The Governments might also wish to consider **adopting a more comprehensive approach to exchanging concessions, whenever appropriate, such as across-the-board rather than line-by-line tariff concessions, or adoption of the negative rather than the positive list approach.**

46. In addition to the unilateral liberalizations, **the conclusion of the Uruguay Round will certainly have some impact on South-South trade.** However, there still seem to be varying opinions as to the nature and degree of its impact, especially on South-South trade, and **a study on this topic may be beneficial.**

47. On the other hand, liberalization of access per se could create opportunities for new trade among developing countries. For example, the abolition of import licensing and the various administrative restrictions should generate new opportunities for traders from other developing countries. This is particularly so since such obstacles usually hamper new traders in particular, smaller and less-established firms with modest networks in the importing countries, situations typical of developing country traders. Therefore, **the deregulation of quantitative and administrative access controls may contribute more to the expansion of South-South trade than North-South trade.** Similarly, **simplification and harmonization of tariff schedules, which many developing countries have been undertaking, may benefit South-South trade more than North-South trade** by reducing the administrative costs for exporters, importers and the tax administration.

48. It is however imperative to give due consideration to the problems of comparatively less developed countries even in the context of liberalization among developing countries. **Often the weaker partners in economic liberalization lack the adequate legal, institutional and social framework to cope with the rapid influx of foreign influence. Assistance in this area may be urgently needed to mitigate the consequences of liberalization and facilitate the smooth integration of less developed countries into the subregional, regional and global economy.**

49. The links between trade liberalization and direct investment generate a trade-growth interaction, especially relevant to integration and cooperation groups. In this context, if a country aims at promoting vertical integration by establishing downstream industries (i.e. assembly plants or processing firms rather than supplying parts or natural resources), facilitation of imports from other developing countries becomes an important element in the *growth-via-trade* strategy of development. Thus, when a country has chosen an outward-oriented strategy of development, **liberalization of trade and investment may better proceed hand in hand and, in particular, removal or mitigation of obstacles to intra-developing country investment should be encouraged.**

50. Trade liberalization has sometimes favoured imports of capital goods rather than consumer goods. In such cases, **it may be beneficial to facilitate South-South trade in consumer goods by partially opening up the markets to imports from developing countries.** In this way, the danger of being dominated by conglomerates from the North is mitigated, while the competitiveness of the sector can be enhanced by "testing" the market liberalization and the market will

be prepared for possible extensive liberalization in the future.

## B. Monetary and financial cooperation

51. Since the vast majority of developing countries do not have specialized and fully fledged trade-finance facilities, **developing countries whose trade has reached a certain level and has become diversified enough may consider setting up such facilities**. Naturally, the critical question in this respect is the cost of resources, i.e. savings, diverted to trade finance from other development uses. This is a national policy question. Once a decision is made to establish such facilities, **most developing countries would need technical assistance in setting them up and perhaps initial low-cost funds to start up these programmes with sufficient seed money**. In this respect, **the international community can be of immense help to individual countries**. For example, **development banks or individual donors can consider extending such seed funds**.

52. Concerning UNCTAD, the Standing Committee on Economic Cooperation among Developing Countries, at its first session in January 1993, having acknowledged the importance of trade finance, decided to "consider studies on and keep under review developments in trade financing, covering the national, regional, subregional and interregional domains, in particular developments regarding the establishment of an interregional trade financing facility[10] and the strengthening of national trade financing facilities"[11]. The Standing Committee also envisaged technical assistance activities based on the needs revealed by these studies. For this purpose, the Committee requested the UNCTAD secretariat to advise on national and regional trade financing facilities.[12] In response to this mandate, the UNCTAD secretariat is preparing a study on the "analysis of progress in trade-finance facilities of developing countries with a view to identifying policy measures and technical assistance to improve their working methods, promote their establishment and identify possibilities of regional and interregional cooperation in trade finance"[13]. This report will be submitted to the Standing Committee at its third session in November 1995 for its consideration.

53. **As regards clearing and payments arrangements**, there are several possible actions that may strengthen their role and function. **The first is the possible expansion of existing regional/subregional schemes**. In particular, countries that have strong trade relationships with members of existing arrangements might have a special interest in joining them. **The second possible action, with the aim of improving the operations of multilateral payments arrangements, is the introduction of a mechanism similar to the two-tier Automatic Payments Program and the Triangular Trade Program of ALADI. The third possibility is to introduce a complementary mechanism similar to the Multilateral Currency Swap Arrangement of ACU, or the Reinsurance Company of PTA.**[14]

54. **On the interregional scale, linking existing arrangements might be envisaged**. In this context, the Second Conference of Central Bank Governors of Latin America and Africa, held at Santa Cruz de Tenerife in March 1994, considered technical proposals for such linkages, and reported on several possibilities therein.[15] Essentially, **the Governors outlined three options: direct links among clearing houses, multiple membership of countries involved in more than one payments scheme, and one interregional system**. In view of the accelerated move of many developing countries towards convertibility, the question might arise as to what purpose these arrangements would serve in the future. Several benefits might be cited in this connection, namely: (a) they offer credit access, and in the case of swaps, short-term balance of payments support; (b) they enable traders to bypass the intermediary of the international banking system and reduce the costs of intermediation; (c) they offer monetary cooperation services and help harmonize trade regulations; (d) in the process of attaining convertibility, they still save on foreign-exchange use for years; and finally (e) they contribute to the integration processes, especially as concerns financial and policy harmonization.

## C. Trade information and support services

55. Various measures can be taken to eliminate or reduce the obstacles mentioned in chapter II.D. These include,[6] inter alia, the institution of programmes of reform for customs procedures that are identified as being inefficient or redundant with reference to international conventions on customs process simplification and harmonization; the increased use of information technology in customs procedures, such as the UNCTAD Automated System for Customs Data (ASYCUDA), which is already used by a large number of developing countries; the facilitation of access, by governments, to sources of economic and business information, for example, through the use of the UNCTAD Trade Analysis and Information System (TRAINS); and the establishment of a non-discriminatory and conducive policy framework for commercial suppliers of business information. The adoption of these reforms would allow developing countries to further integrate into the world market, thus providing a base from which South-South trade could be increased as well. Nonetheless, given the distinctive handicaps faced by South-South trade in this respect, specific action is required. In particular, **existing programmes and projects in the area of trade efficiency should pay particular attention to the promotion of South-South trade**.

56. Ultimately, however, utilization of such facilities rests on the trade and trade supporting sectors in developing countries. Setting up a trade information facility does not automatically lead to full utilization of such an investment without the participation of economic agents, particularly those of the private sector. Thus, **the promotion of human resources development and capacity building of the private sector in this area is of the utmost importance**.

## D. Production and investment collaboration

57. The importance of expanding and diversifying agricultural and industrial production is recognized. In Latin America and the Caribbean, this issue nas been at the forefront of integration processes, yet only limited progress has been achieved. At present, new instruments and programmes are being developed by groupings in the region in support of the new trade liberalization programmes. For example, the Caribbean Community (CARICOM) adopted an enterprise regime aimed at promoting investment in high-priority sectors, combined with a regional industrial-programming scheme which is designed to make production systems more efficient, interconnected and internationally competitive. An additional function of this scheme is to identify projects which will be assigned among member States and which would benefit from preferential fiscal and financial treatment. In Africa also, new production integration programmes have been adopted and initiatives taken to remove obstacles to the free flow of capital and cross-border investment. For example, the member States of the Southern African Development Community (SADC) established a food security programme, undertook studies to improve the investment climate in their region, and are preparing a framework for the implementation of regional industrial projects. In addition, a cross-border investment initiative for eastern and southern African countries is being developed with international financial assistance. **In these two regions, the continued removal of barriers impeding intercountry investment flows and the establishment of conditions conducive to investment may need to be strengthened**. These include supportive policies and incentives, such as: (a) **tariff and fiscal advantages (tax "holidays")**; (b) **better access to local capital markets**; and (c) **more generous allowance for equity participation by foreign investors in the integration projects**. **There is also a need to establish investment information and promotion services**.

58. To some extent, progress in this direction is being made in south-east Asia where production integration is occurring mainly through pure business decisions, with intraregional investment playing an important role. Japan has invested in the region for quite some time and continues to do so. Surplus capital from the Republic of Korea is also moving into the east Asian region in search of cheap labour and investment opportunities. Hong Kong and India are increasing their capital flows to other countries within the region. Some of the production

initiatives are facilitated by formal arrangements. ASEAN, for example, created an industrial joint venture programme with Japanese and European automotive firms that spreads manufacturing of motor vehicles over several ASEAN countries. The emergence of "growth triangles" is another east Asian production-investment cooperation initiative. The growth triangles offer entrepreneurs the possibility of exploiting low labour and land costs in one country and surplus capital and technical sophistication in others to develop export-oriented industries and draw in investment. These include: the South China Triangle, covering Hong Kong, Taiwan Province of China and the coastal provinces of southern China; and the Southern Triangle, involving Singapore, the Malaysian State of Johore and the Riau Islands of Indonesia.

59. Another area deserving special attention is the encouragement and development of the enterprise sector, in view of its importance in promoting business and attracting foreign investment. **The development of the enterprise sector, especially in the regions where it is weak, should remain a high-priority item on the policy agenda.** Currently most groupings, such as ASEAN, PTA and the Andean Group to cite only a few, are taking measures to enhance the role of the enterprise sector in general, and the private sector in particular. **There is merit in strengthening the role of regional federations of chambers of commerce and industry, and associations of trading and/or manufacturing enterprises.** Almost all integration groupings are taking measures to do this.

## E. Transport

60. For an effective promotion of South-South trade links and economic integration, it is evident that transport infrastructures and services must be improved. Since investment in this area requires significant financial resources, **there is a case for coordination and cooperation in order to take advantage of high economies of scale.**

## F. Institutional aspects

61. Effective institutions at both subregional/regional and national levels are essential elements for the promotion of economic integration and cooperation. At the subregional/regional level there are several important issues to be considered. **There is a need to maintain consistency between the decisions taken at the regional and national levels, as well as ensuring that these decisions are implemented without unnecessary delays.** Where appropriate, **the rationalization of integration groupings and cooperation schemes should be accelerated.** In addition, **with respect to the groupings, there is a need to establish clear priorities in their objectives, adopt realistic timetables, monitor closely the implementation of the agreed programmes and undertake immediate corrective action. Those existing institutions should then be endowed with adequate financial and manpower resources.**

62. **At the national level, mechanisms should be established to deal with economic integration. In those countries that have such mechanisms, their areas of competence and their functions may need to be better defined and strengthened.** For example, the new organizational structure of ASEAN includes not only the central secretariat but also national secretariats in member States.

## G. External support

63. As the internally generated resources of subregional/regional integration groupings are generally insufficient to implement their programmes, there is a strong case for international support to these groupings. For many years, most integration groupings have received financial and technical assistance, both bilateral and multilateral. Recently, donors from developed countries have indicated their willingness to increase their assistance to subregional/regional

integration groupings. However there is scope for improvement of such assistance and, in this connection, the recommendations of the Intergovernmental Group of Experts which met at Geneva from 27 June to 1 July 1994 can be considered as setting a framework within which ECDC entities and donors could conduct a fruitful dialogue on the issue of external support to economic integration among developing countries.[17]

References

1. See annexes I and II of the "Report of the Standing Committee on Economic Cooperation among Developing Countries on its first session" [TD/B/39(2)/16-TD/B/CN.3/5], held at Geneva from 11 to 15 January 1993.

2. The specific details relative to the trends in subregional, regional and interregional economic cooperation and integration are outlined in the document, "Review of major developments in the area of economic cooperation among developing countries, including regular consultations and technical support, assistance and skill development" [TD/B/CN.3/9].

3. For details, see "Impediments and disincentives to trade among developing countries: a survey" [UNCTAD/ECDC/244].

4. "Evaluation of performances and issues of trade financing in developing countries: the case for and the viability of an interregional facility" [TD/B/1300], 2 September 1991, and "Trade financing in developing countries: an assessment and evaluation of existing schemes and future requirements" [TD/B/1300/Supp. 1], 2 August 1991.

5. For a description of existing clearing and payments arrangements and a statistical analysis of their recent performances, see "Review of major developments in the area of economic cooperation among developing countries, including regular consultations and technical support, assistance and skill development" [TD/B/CN.3/9].

6. See "The Asian Clearing Union: an assessment and prospects", by Ercan Uygur of Ankara University, a note prepared by the UNCTAD Secretariat to the ACU Board of Directors, August 1994.

7. See "Impediments and disincentives to trade among developing countries: a survey" [UNCTAD/ECDC/244].

8. B. Levy, "An institutional analysis of the design and sequence of trade and investment policy reform", World Bank Economic Review 7, No. 2., 1993. See also "Analysis of trade and trade strategies among developing countries" [UNCTAD/ECDC/242].

9. See "Evaluation of progress achieved in the implementation of trade preferences among developing countries" [to be issued].

10. The feasibility and the need for an interregional trade-finance facility was examined by UNCTAD in 1991 in a whole series of studies. See TD/B/1300 and TD/B/1300/Supp.1, mentioned before, and "Feasibility study for an interregional trade financing facility for the exports of non-traditional goods of developing countries" [TD/B/1300/Supp. 2, TD/B/1300/Supp. 2/Rev 1], 31 March 1992. The findings of these reports were endorsed by an expert group. See "Report of the Expert Group on Trade Financing Mechanisms in and among Developing Countries" [TD/B/1313], 20 September 1991. In its resolution 394 (XXXVIII), the Trade and Development Board called upon the Secretary-General of UNCTAD to undertake consultations in this matter.

11. Item 6(c) of the programme of work of the Committee, annex II to the "Report of the Standing Committee on Economic Cooperation among Developing Countries on its first session" [TD/B/39(2)/16-TD/B/CN.3/5].

12. Ibid., item 7(c).

13. Revised Programme Budget 1994/1995, section IIA, subprogramme 13.6, section 3 (published material), item (ix) (A/48/6).

14. For details of these mechanisms, see "Review of major developments in the area of economic cooperation among developing countries, including regular consultations and technical support, assistance and skill development" [TD/B/CN.3/9].

15. See "Report of the meeting of the Co-ordination Committee on Multilateral Payments Arrangements and Monetary Cooperation among Developing Countries" [UNCTAD/ECDC/245]. Also "Institutional cooperation among African and Latin American clearing and payments arrangements" [UNCTAD/ECDC/237] and "Review and prospects of monetary and financial cooperation between African and Latin American countries" [UNCTAD/ECDC/239].

16. The following recommendations are taken from the "Final report of the Ad Hoc Working Group on Trade Efficiency" [TD/B/40(2)/L.6], 17 May 1994, which provides an extensive list of recommendations for governments on key issues for trade efficiency: customs, transport, banking and insurance, information for trade, business practices and telecommunications.

17. See the "Report of the Intergovernmental Group of Experts on Economic Cooperation among Developing Countries on its first session" [TD/B/CN.3/6 and TD/B/CN.3/GE.1/5].

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# REVIEW OF MAJOR DEVELOPMENTS IN THE AREA OF ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES, INCLUDING REGULAR CONSULTATIONS* AND TECHNICAL SUPPORT, ASSISTANCE AND SKILL DEVELOPMENT

Report by the UNCTAD secretariat

*Discussion of policy issues and review of developments concerning REGULAR CONSULTATIONS are detailed in the following UNCTAD secretariat documents: "Report of the Intergovernmental Group of Experts on Economic Cooperation among Developing Countries" (TD/B/CN.3/6-TD/B/CN.3/GE.1/5, 25 July 1994); "Review and analysis of the development objectives and external assistance requirements of ECDC participants" (TD/B/CN.3/GE.1/2, 12 April 1994 and corrigendum); "Scope and features of the subregional, regional and interregional components of development assistance programmes of the donor community" (TD/B/CN.3/GE.1/3, 2 May 1994); and "Preliminary suggestions regarding the improvement of the scope and effectiveness of subregional, regional and interregional components of development assistance programmes of the donor community" (TD/B/CN.3/GE.1/4, 3 May 1994).

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## ABBREVIATIONS

| | |
|---|---|
| ACP | Africa, Caribbean and Pacific Group of States |
| ACS | Association of Caribbean States |
| ACU | Asian Clearing Union |
| AEC | African Economic Community |
| AFTA | ASEAN Free Trade Area |
| ALADI | Latin American Integration Association |
| APEC | Asia Pacific Economic Cooperation |
| ASEAN | Association of South-East Asian Nations |
| ATFP | Arab Trade Financing Programme |
| BLADEX | Latin American Export Bank |
| CACH | Central American Clearing House |
| CACM | Central American Common Market |
| CAF | Andean Development Corporation |
| CARICOM | Caribbean Community |
| CEAO | West Africa Economic Community |
| CEMAC | Economic and Monetary Community of Central Africa |
| CEPGL | Economic Community of the Great Lakes Countries |
| CHCAS | Clearing House of the Economic Community of Central African States |
| COMESA | Common Market for Eastern and Southern Africa |
| EAC | East African Community |
| ECCAS | Economic Community of Central African States |
| ECDC | economic cooperation among developing countries |
| ECO | Economic Cooperation Organization |
| ECOWAS | Economic Community of West African States |
| GCC | Cooperation Council for the Arab States of the Gulf |
| IOC | Indian Ocean Commission |
| LARF | Latin American Reserve Fund |
| MERCOSUR | Southern Cone Common Market |
| MRU | Mano River Union |
| MSG | Melanesian Spearhead Group |
| NAFTA | North American Free Trade Area |
| NAM | Non-Aligned Movement |
| OAU | Organization of African Unity |
| OECS | Organization of Eastern Caribbean States |
| OIC | Organization of the Islamic Conference |
| PTA | Preferential Trade Area for Eastern and Southern Africa States |
| PTACH | PTA Clearing House |
| SAARC | South Asian Association for Regional Cooperation |
| SADC | Southern African Development Community |

| | |
|---|---|
| SAFICO | Andean Trade Financing System |
| SAPTA | SAARC Preferential Trading Arrangement |
| SELA | Latin American Economic System |
| SICA | Central American Integration System |
| SPF | South Pacific Forum |
| UAPTA | Unit of Account of the PTA |
| UDEAC | Central African Customs and Economic Union |
| UMA | Arab Maghreb Union |
| UNCTAD | United Nations Conference on Trade and Development |
| WACH | West African Clearing House |
| WAMA | West African Monetary Agency |

## INTRODUCTION AND SUMMARY

1. At its first session, the Standing Committee on Economic Cooperation among Developing Countries approved the provisional agenda for its second session, which included an item on the review of major developments in the area of economic cooperation among developing countries.[1] The following report has been prepared in response to this decision and it updates the review that was carried out in 1992 for the first session of the Standing Committee.[2] (The addendum to the report, TD/B/CN.3/9/Add.1, contains the statistical data on South-South trade flows including trade with integration groupings, the operations of clearing and payments arrangements, and a list of major subregional, regional and interregional groupings with their membership updated to December 1993.) The policy implications issuing from the recent developments reviewed in this report are discussed in another report entitled "Strengthening subregional and regional integration and fostering interregional cooperation, as well as promotion and expansion of trade among developing countries" (TD/B/CN.3/8), which was also prepared for the second session of the Standing Committee.

2. Chapter I of the present report reviews developments in South-South trade and monetary and financial cooperation. In respect of South-South trade policies, developing countries continued to open up their economies with a view to fostering their integration into world markets. In parallel, South-South trade continued to grow in the early 1990s. This growth is reflected in intraregional trade among developing countries, including trade within subregional integration groupings. In respect of monetary and financial cooperation, some multilateral clearing and payments arrangements have registered a satisfactory performance in recent years, with an increase in transactions channelled and cleared. However, the bulk of such transactions is concentrated in two arrangements. Other developments concern the emergence of regional capital markets which arguably offers a solution to problems associated with nascent and emerging national capital markets; and regional trade financing facilities which offer essential services to member States, although the totality of credits offered covers a very small share of South-South trade.

3. Chapter II of the report surveys major developments that occurred between 1992 and 1994 in subregional and regional economic integration and cooperation within Africa, Asia and the Pacific, and Latin America and the Caribbean. Developments in respect of interregional and regional cooperation involving developing and developed countries are also examined. The review shows that the revival of expectations in subregional and regional integration and interregional cooperation has gained added impetus with the formation of several new groupings and the development and implementation by existing grouping of fresh approaches and modalities to widen, deepen and accelerate cooperation and integration.

4. Chapter III sets forth the ECDC-related advisory support and technical assistance provided by the UNCTAD secretariat between 1992 and 1993, in cooperation and partnership with other United Nations bodies. These activities were directed towards responding to the demands of integration groupings, improving payments and clearing arrangements, encouraging trading enterprises and other economic agents and strengthening the Global System of Trade Preferences among Developing Countries.

# Chapter I
# SOUTH-SOUTH TRADE AND MONETARY AND FINANCIAL COOPERATION

## A. South-South trade

5. Trade policy developments in developing countries continued to favour liberalization and further opening up of economies, often within the wider framework of structural adjustment programmes. The process is generating some degree of convergence in policies among developing countries and the lowering of commercial barriers to trade. In parallel, South-South trade has been rising, with trade in manufactured goods becoming increasingly important. The growth in trade, however, is accounted for largely by the dynamic economies of south and south-east Asia. Some measures to promote of South-South trade have been taken, such as the exchange of trade preferences, the holding of trade fairs, cooperation between business operators and cooperation among central banks. Despite these measures and the continuous growth since 1986, South-South trade remains small relative to global trade. This is due in large measure to various obstacles rather than weak trading relations among developing countries. In order for the expansion of South-South trade to be further consolidated and accelerated, the impediments to South-South trade need to be eliminated through deliberate policy actions to remove tariff and non-tariff barriers, diversify and strengthen production capacities and complementarities and improve such trade-supporting structures as physical infrastructure links, trade information and financing.

### 1. Trade policies

6. Trade policy in developing countries in the early 1990s continued to follow the process of liberalization which started in the mid-1980s, together with other outward-oriented and structural adjustment policies (devaluation of currencies, facilitation of foreign direct investment, deregulation of industries). Many countries took further steps to open up their economies and to foster their integration into the world markets. Many further reduced their tariff rates or simplified or bound most of their tariffs, often in the context of wide-ranging economic reforms. Considerable import liberalization measures in the non-tariff areas have also been implemented in a number of countries.[3] These changes, together with the formation of regional blocks among or involving developed countries, has led developing countries to revive regional and subregional cooperation and integration among themselves (as will be demonstrated in chapter II).

7. In parallel with the implementation of liberalization measures, some initiatives to increase interregional trade flows among developing countries were launched. For example, the first Afro-Arab trade fair was held at Tunis (Tunisia) in October 1993 under the auspices of the Organization of African Unity, the League of Arab States and the Government of Tunisia.[4] The second fair will be organized in South Africa. Another initiative is the conference of governors and senior officials of central banks, which was first held in 1990 as part of a programme of cooperation between economic operators from Africa and Latin America. The second conference was organized by UNCTAD, in collaboration with Promociones Exteriores Canarias (PROEXCA) and the Official Chambers of Commerce, Industry and Shipping of Santa Cruz de Tenerife, in

March 1994 at Santa Cruz de Tenerife, Canary Islands (Spain). The conference considered, *inter alia*, the role of central banks in fostering trade expansion and economic cooperation between Africa and Latin America.[5] The other significant development was the inception of the second round of negotiation under the GSTP (see paragraph 56).

8. The promotion of South-South trade through enterprise cooperation is starting to gain the attention it deserves from governments and the economic actors involved. In addition to the activities mentioned in the preceding paragraph, the second meeting of the Executive Committee of the Association of African Trading Enterprises (ASATRADE) — which was created in December 1991 — took place in April 1992. The Committee approved a series of activities aimed at promoting ASATRADE in African countries, particularly through, the formation of a network of ASATRADE representatives in each African country, the creation of subregional committees of trading enterprises, and the organization of commercial missions (see also paragraph 70).

9. A meeting of enterprises of Asian and Latin American countries of the Pacific Basin in November 1992 at Santiago (Chile) established a coordination committee with the mandate to produce a programme of action and to establish contacts with cooperation organizations in the Pacific Basin with the aim of preparing technical assistance programmes. One of the activities planned for this purpose is the organization of a meeting of aviation and maritime enterprises of the Pacific Basin on the occasion of the annual Hong Kong transport fair. In another development, a Pacific Basin ministerial-level meeting with the participation of officials responsible for the enterprise sectors is to be organized during the course of 1994 to discuss various issues, including the formation of a permanent forum for cooperation among the developing countries of the Pacific Basin.

## 2. Trade flows

10. The expansion of South-South trade, which started in 1986, continued up to 1992. Following a doubling in the absolute value of South-South trade between 1986 and 1991, there was a further expansion to US$ 259 billion in 1992 (see table 1 in the addendum to this report). In relative terms, however, South-South trade accounted for only 6.3 per cent of total world trade in 1991; the figure increased to 7.0 per cent in 1992. This low proportion does not necessarily imply that South-South trade relations are weak. It may be that the volume of trade is small and underdeveloped owing to the smallness of the economies of most developing countries.[6] In addition, South-South trade is inhibited by various obstacles that include customs duties, which are relatively high when compared with developed country tariff levels (although, as mentioned in paragraph 6, such duties have decreased greatly owing to trade liberalization policies), non-tariff barriers and such disincentives as non-diversity of exportable products, lack of good transport links, higher than average insurance costs, lack of marketing and distribution skills and financial impediments. Most of these factors hamper developing countries' exports to both developed and developing countries, but tend to be particularly important in the latter case.[7]

11. The growth in South-South trade is maintained by an expansion in trade of all developing regions. However, the growth is by far the strongest for south and south-east Asian countries' trade, with the result that the region is heavily involved in South-South trade flows. South and

south-east Asia's total exports to developing countries between 1986 and 1992 increased by about 225 per cent to reach US$ 165.7 billion or 63.9 per cent of total South-South exports (see table 1 in the addendum to this report). Likewise, the region's imports from developing countries increased by about 188 per cent to US$ 156.6 billion in 1992 or 60.4 per cent of South-South imports. During the same period, the total exports of Africa to developing countries rose by over 30 per cent and the region's total imports from developing countries rose by over 58 per cent. As for Latin America and the Caribbean for the same period, the region's total exports to developing countries rose by over 87 per cent, and the region's total imports from developing countries rose by about 73 per cent.

12. The product structure of South-South trade has changed significantly with the share of commodities declining from over two thirds of trade flows in the 1970s and 1980s to about two fifths of trade flows in 1990. Conversely, manufactured goods accounted for more than 56 per cent of developing countries' exports to other developing countries in 1990 — a 110 per cent increase from 1980 — and it further increased to 59 per cent in 1992 (see table 2 in the addendum to this report). Among the products which feature prominently in such South-South trade are semi-manufactured products (leather, knitted fabrics), resource-based manufactured products and a number of capital- and skill- intensive products (office machines, automatic data processing equipment, television receivers, sound recorders, musical and optical equipment).

13. Trade within subregional integration groupings, which is a part of intraregional trade, generally ceased to decline after 1986 and, in some cases, it subsequently showed a modest improvement up to 1992 (see table 3 in the addendum to the report). However, as with overall South-South trade, the share of intra-grouping trade in the total exports of the group remains low for the majority of the groupings. In 1992 the ratio ranged from 0 to 5 per cent for eight groupings (Bangkok Agreement, CEPGL, ECCAS, ECO, MRU, SADC, UDEAC, UMA), and 6 to 9 per cent for seven groupings (Andean Group, CARICOM, ECOWAS, GCC, OECS, PTA, SAARC). These figures do not necessarily mean that trade relations are weak. In fact, for most groupings, the countries in the same group tend to trade with each other much more than with the world on average.[8] The potential for increased trade within groupings could be seen in the five groupings (ALADI, ASEAN, CACM, CEAO, MERCOSUR) which have high ratios of intra-group trade to total group exports that ranged between 10 and 20 per cent in 1992.

## B. Monetary and financial cooperation

14. The main instruments of monetary and financial cooperation used by developing countries are the multilateral clearing and payments facilities. The importance of these facilities has been confirmed by the eighth meeting of the coordination committee on Multilateral Payments Arrangements and Monetary Cooperation among Developing Countries (see box below). In recent years, these arrangements have performed satisfactorily with an increase in intra-group trade and in transactions channelled through them. However, the bulk of both intra-group trade and total transactions channelled is concentrated in two facilities, namely, the Asian Clearing Union which in 1991 accounted for 11 per cent of aggregate intra-group trade and 13 per cent of aggregate transactions channelled, and the ALADI Reciprocal Payments and Credit Arrangement with 76 per cent and 84 per cent respectively (see table 4 in the addendum to this report). The other

facilities account for very modest volumes of trade and clearing. These facilities have therefore focused their attention in recent years on the introduction of new instruments to increase participation in the clearing facility.

**Eighth meeting of the Coordination Committee on Multilateral Payments Arrangements and Monetary Cooperation among Developing Countries**

Established in 1978, the Coordination Committee aims at the exchange of experience, harmonization of strategies, and formulation of individual and joint projects for expanding and improving activities of its members, which consist of all clearing and payments arrangements, monetary funds, trade financing institutions and other bodies of financial cooperation among developing countries. The central banks of developing countries enjoy an observer status. The previous meetings of the Committee were held at Buenos Aires (1978), Dakar (1979), Abu Dhabi (1980), Bridgetown (1981), Las Palmas (1985), Montevideo (1988) and Las Palmas (1990). UNCTAD acts as the technical secretariat for the Coordination Committee.

The eighth meeting of the Coordination Committee was held at Santa Cruz de Tenerife, Canary Islands (Spain) from 28 February to 1 March 1994. The meeting was organized by UNCTAD in collaboration with Promociones Exteriores Canarias (PROEXCA) and the Official Chambers of Commerce, Industry and Shipping of Santa Cruz de Tenerife. It was attended by 31 participants including representatives of multilateral payments and clearing arrangements, international financial institutions, central banks and observers. The Coordination Committee discussed various issues, including a review of the performance of clearing and payments arrangements from which the following conclusions were reached: participation in payments arrangements afforded advantages including deferred payments, credit access and enhancement of monetary cooperation among participants; external factors significantly affect the operations of these facilities; there are differences in scope among the various facilities; the problem of a single country accumulating arrears within the facility requires fast solution; underlying trade flows are important; trade financing is important for expanding underlying trade flows; the problem of differing degrees of convertibility within the same facility may be handled by adopting limited convertibility; and payments facilities afford the optimum midway stage in the process of integration into the world economy and the global convertibility of currencies (see *"Report of the eighth meeting of the Coordination Committee on Multilateral Payments Arrangements and Monetary Cooperation among Developing Countries"* (UNCTAD/ECDC/245).

15. In addition to clearing and payments arrangements, developing countries have established a limited number of multilateral trade financing and export-credit guarantee facilities. These facilities, operating in Africa, Asia and Latin America and the Caribbean, continue to provide some of the trade financing requirements of their member States. Furthermore, the mobilization of financial resources through the promotion of capital market integration is growing. Recent efforts show that regional cooperation offers a way of solving many of the problems associated with both nascent and emerging national capital markets.

### 1. Clearing and payments arrangements[9]

16. In the Asian Clearing Union (ACU) intra-group trade expansion between 1987 and 1992 was accompanied by a tripling of the volume of transactions channelled through the clearing system, with the result that around 80 per cent of intra-group imports was routed through ACU in 1991

(the figure declined slightly to 78 per cent in 1992). The share of net settlement in foreign exchange was generally low; it fluctuated between 23 and 39 per cent in the period from 1986 to 1992. In respect of the ACU currency swap arrangement — established in late 1989 — total drawings against the facility amounted to 170 million Asian Monetary Units by the end of 1992. The most active users of the facility were India and Bangladesh, followed by Pakistan.

17. Like ACU, intra-group trade expansion in the ALADI clearing facility between 1986 and 1992 was accompanied by an expansion in the volume of transaction. Nevertheless, the ratio of intra-group imports routed through the facility, which amounted to 81 per cent in 1990, declined to 69 per cent in 1992. The volume of balances settled in foreign exchange fluctuated between 25 and 35 per cent after 1989. A number of modifications were introduced into the facility with a view to improving its operations. In 1992, for example, member States were authorized to channel payments originating in triangular trade as a means of enlarging the scope of eligible transactions.

18. The other two facilities in the same region continued to face difficulties. The Central American Clearing House (CACH) was resuscitated as the Central American Payments System in 1990 with the support of the European Community. However, operations were suspended in July 1992 because of the unsatisfactory levels of transactions channelled, owing to ongoing liberalization of exchange rate systems in member States, which made the use of the clearing facility unattractive. In the Caribbean Community clearing facility which, as a result of accumulation of arrears, suspended activities in 1983 after six years of operation, there has been no solution to the intra-group debt that amounted to around US$ 100 million. The facility remains non-operational and member countries use instead a system of bilateral agreements established in 1987.

19. Three of the clearing and payments arrangements are located in Africa. In the PTA Clearing House (PTACH), following a steady expansion up until 1989, the volume of channelled transactions decreased from US$ 263 million in 1990 to US$ 192 million indicating that the facility is being underutilized. PTACH, like ACU and the ALADI facility, had a low share of net settlements in foreign exchange of 31 per cent in 1992, which stands in comparison to a ratio of 55 per cent in 1987. Following the successful introduction of the UAPTA traveller's cheques in August 1988, most PTA member States joined the scheme and the cheques have been permanently in use. In the first four years of operation, sales of the cheques amounted to UAPTAs 38.4 million (about US$ 52 million) while their purchases totalled UAPTAs 34.7 million (about US$ 47 million).[10] In 1993 member States approved the establishment of a PTACH reserve fund to provide short-term loans to countries which experience difficulties in settling their clearing balances. The initial capital of the fund will be UAPTAs 100 million, of which one half will be provided by member States and the other half is to be mobilized from external sources.

20. Within the other two African facilities, namely, the West African Clearing House (WACH) and the Clearing House of the Economic Community of Central African States (CHCAS), transactions are at low levels despite revitalization efforts. In WACH, the trend of transactions channelled was downwards. In CHCAS, the corresponding figure never exceeded the level of US$ 2 million. The share of intra-group imports directed through WACH has

fluctuated below 5 per cent since 1987, and at CHCAS it remained at the insignificant level of one per cent. In respect of the ratio of net settlements in foreign exchange, it fell in WACH owing to the decline in transactions channelled; while in CHCAS almost all transactions were settled in hard currency. WACH is also confronted with a large accumulation of outstanding debts amongst member countries so that creditor countries have not authorized further exports to be channelled through the facility. On a positive note, WACH is to be transformed into an autonomous, specialized agency of ECOWAS, according to an agreement of the 1992 ECOWAS Authority meeting reached on the basis of recommendations by the governors of central banks. The required protocol for creation of the new organ, the West African Monetary Agency (WAMA), has been adopted by the governors of central banks. WAMA, while continuing to perform the functions of the clearing house, will also: encourage trade expansion and liberalization; facilitate conformity of monetary and fiscal policies and structural adjustment programmes of members; foster pursuit by members of appropriate macroeconomic policies conducive to market-determined exchange and interest rates for intra-subregional trade; initiate and promote policies and programmes on monetary integration; and facilitate the creation of a single monetary zone.

## 2. Trade financing

21. Subregional and regional trade financing facilities are offered by a number of institutions which include: in Latin America, the Inter-American Development Bank (IDB), the Latin American Export Bank (BLADEX), the Andean Trade Financing System (SAFICO) and the Mechanism for Confirmation and Financing of Letters of Credit and Imports (MECOFIN) of the Andean Development Corporation (CAF), the Latin American Reserve Fund (LARF) and the Central American Bank for Economic Integration (BCIE); in Africa, the African Export-Import Bank (AFREXIMBANK),[11] the ECOBANK which operates in the ECOWAS subregion, and the PTA Trade and Development Bank (PTA Bank); in Asia, the Islamic Development Bank (IsDB), the Arab Trade Financing Programme (ATFP) and the Inter-Arab Investment Guarantee Corporation (IAIGC). The salient feature of these financing facilities is their basic objective of supplying export finance and refinancing to help overcome the domestic financial shortages of member States. The bulk of the credit they offer comes from their own resources. All facilities give priority to financing non-traditional exports by short- and medium-term credits. Several of these facilities have introduced new instruments. For example, the Latin American Reserve Fund established in May 1992 a short-term facility which can be used by commercial banks for export financing in member States.

22. According to estimates of global trade-financing as of 1989,[12] the overall credits extended by existing regional trade financing schemes of developing countries combined amounted to US$ 1.55 billion or the equivalent of 2.8 per cent of South-South trade. As regards individual schemes: between 1989 and 1992, the disbursements of the PTA Bank amounted to a total of US$ 58.4 million, comprising pre- and post-shipment loans (US$ 41.7 million), syndication participation (US$ 4 million) and letters of credit confirmation (US$ 12.7 million); the IsDB, *inter alia*, offered traditional short-term financing for basic imports (such as oil and fertilizers) of about US$ 800 million per year; BLADEX provided export financing of over US$ 13.7 billion during the period 1979 to 1989; CAF in 1992 committed loans of US$ 1.8 billion, distributed in project loans, trade financing through its autonomous agencies (SAFICO, MECOFIN), and

technical cooperation activities; BCIE's lending operations amounted to US$ 1,731 million during the period 1961 to 1992; LARF's short-term credit facility financed US$ 285.8 million of exports in the first half of 1993; IDB, between 1960 and 1992, approved 43 export financing loans of a cumulative total portfolio of US$ 1.6 billion; and ATFP, during the period January 1991 to mid-February 1993, received applications for refinancing totalling US$ 279 million but approved only US$ 169 million.

### 3. Capital markets

23. In respect of emerging regional capital markets, there have been several developments which indicate that regional cooperation offers a way to solving many of the problems associated with both nascent and emerging national capital markets. The regional scale may provide the necessary market size for viability both in costs and volume; it may also strengthen the developing country's capacity to resist the adverse effects of changes in international capital markets; and it may help in the mobilization of resources in countries and within social groups where such is not otherwise possible. Thus, in the African region, a proposal for fostering regional capital markets in ECOWAS is under discussion in the framework of the ECOWAS monetary cooperation programme; and the African Capital Markets Forum has presented a proposal to establish formal capital markets, accelerate the development of existing markets, promote cooperation and provide a forum for the exchange of ideas among African capital markets institutions.

24. In Latin America and the Caribbean, developments include the following: (i) in the Andean Group, there is an ongoing research project aimed at formulating proposals for the integration of capital markets in the subregion as a mechanism for strengthening the process of savings-investment and economic growth; (ii) the Caribbean Stock Exchange — a cooperation mechanism among the existing stock exchanges of CARICOM — started operations in 1991, allowing cross-border trading through correspondent broker relationships and potential cross-border listing; (iii) members of the Ibero-American Stock Exchange Federation created in 1990 the Ibero-American Electronic Stock Exchange, with the final aim of electronically processing trading in major regional enterprises; (iv) the Association of Central American Stock Exchanges projects the creation of Central American Depository Receipts and the harmonization of listing requirements; and (v) there is a continued dialogue among supervisory authorities of the Andean Group, sponsored by the Latin American Reserve Fund, on possible ways of harmonizing their capital markets with a view to increasing cross-border capital flows among member countries.

25. Furthermore the Union of Arab Stock Exchanges, the East Asian and Oceanian Stock Exchanges Federation and the African Stock Exchanges Association — established in April 1993 — continued their efforts to promote harmonization and cooperation in securities trading in their respective regions.[13]

## Chapter II
## SUBREGIONAL, REGIONAL AND INTERREGIONAL ECONOMIC INTEGRATION AND COOPERATION

26. The desire to ensure more effective and speedy progress towards the realization of integrated and functional subregional and regional communities remained high on the agenda of developing countries and their groupings, as manifested in the adoption of new treaties to create new economic groupings; the revision of existing treaties to introduce new elements and modalities which update and deepen the integration process as well as render it more flexible; and the enlargement of membership of economic groupings to cover wider geographical areas. The expansion of trade through the strengthening of some form of customs union arrangement — in addition to trade promotion measures — constitutes the basic thrust of many of these initiatives. Simultaneously the scope of cooperation is being widened to build the necessary and conducive conditions within which cooperation and integration can prosper. Adjustments in this direction have involved increasing popular participation; promoting peaceful inter-State relations and enhancing regional security and stability; increasing participation of enterprises and cooperation among them and their associations; expanding cooperation with major external partners, including in some instances through the formation of preferential trading agreements; and restructuring the policy organs and executive secretariats of groupings. Some initiatives at the interregional level have been launched and the formation of mixed groupings involving both developed and developing countries has gained in prominence with the formation of NAFTA and APEC.[14]

### A. Subregional and regional developments

#### 1. Africa

27. The efforts of the countries members of the Organization of African Unity (OAU) to create a continental economic community culminated in the signing of the Abuja Treaty establishing the African Economic Community (AEC) in June 1991 by the OAU Assembly of Heads of State and Government. The process gained momentum with the entry into force on 12 May 1994 of the Abuja Treaty. Intra-African trade promotion is an important objective of AEC and the Abuja Treaty provides for this by stipulating the formation of a continental customs union comprising of a free trade area and a common external tariff. In 1992 intra-African trade accounted for only 6.9 per cent of its total trade, a figure which stands in sharp contrast to Latin America and the Caribbean with 19.5 per cent and Asia with 23.1 per cent.[15]

28. The Arab Maghreb Union (UMA) meeting of Heads of State in April 1994 noted that several agreements had been adopted since the last summit and a dozen projects designed, including a regional highway, a high-speed train and fibre optic cable to strengthen links between member States, several projects to further consolidate UMA customs cooperation, and a study on a compensation scheme. Although UMA member States adopted a preferential trading scheme in 1990/1991 to promote and strengthen trade among them, the scheme has not yet been implemented. Meanwhile, recorded intra-UMA trade remains very low, accounting for about 2 per cent of total UMA exports in 1992. In respect of external cooperation UMA and the European Union have been holding discussions on closer mutual economic cooperation.

29. Despite setbacks occasioned by the civil strife in Liberia with spillover effects in neighbouring countries, the Mano River Union (MRU) Ministerial Council meeting in July 1993 directed the secretariat to seek technical assistance for the establishment and strengthening of economic integration structures within the national administrations of member States. The Council also decided to expand the scope of MRU cooperation to include political, security, foreign affairs and defence matters. The MRU secretariat, for its part, intends to convene a workshop in 1994 on the determination of modalities and strategies for post-war reconstruction and rehabilitation in war-affected areas of the subregion. In view of the difficulties confronting MRU, the aim of expanding intra-Union trade has not been met. Such trade at present is less than one per cent of total Union exports.

30. In July 1993, the Authority of Heads of State and Government of the Economic Community of West African States (ECOWAS) signed the revised ECOWAS Treaty. Designed to bring new dynamism to West African integration, the revised Treaty confers upon the ECOWAS Authority full power to take decisions which would be binding on Community institutions as well as member States; makes provisions for the establishment of an ECOWAS parliament and an economic and social council, the establishment of eight specialized technical commissions to replace the six existing ones, for political cooperation and regional security, and for the enactment of a Community levy to generate financial resources for the Community (the levy will be a percentage of the total value of import duty derivable from goods imported from third countries), and provides that ECOWAS shall be the sole economic community in West Africa and serve as the focal point for all intraregional integration activities. In the context of institutional rationalization, a particularly important development was the abolition of the West African Economic Community (CEAO), pursuant to a decision of the summit of Heads of State of the seven member States (Benin, Burkina Faso, Côte d'Ivoire, Mali, Mauritania, Niger, Senegal) in early 1994.[16] The revised ECOWAS Treaty also provides for the establishment of a customs union within 10 years from 1 January 1990, followed by the creation of an economic and monetary union in the subsequent five years. This programme is expected to promote and expand intra-ECOWAS trade, which in 1992 represented about 7.8 per cent of total ECOWAS exports.

31. The Economic Community of Central African States (ECCAS) since 1992 has been constrained by a serious financial crisis owing to non-payment of contributions by some member States. The problem is illustrated by the fact that the personnel of the Libreville-based ECCAS secretariat went on occasional strikes because salaries had not been paid. Regarding preferential trade among member States, an agreement was reached in 1989 on the free circulation of goods among member States in order to strengthen such trade, which at present accounts for about 2 per cent of the Community's total exports. However, at the end of 1993, the preferential scheme had not yet taken effect for industrial goods.

32. After a major restructuring operation, the member States of the Central African Customs and Economic Union (UDEAC) signed a treaty in March 1994 on the creation of an Economic and Monetary Community of Central Africa (CEMAC). CEMAC will comprise an Economic Union of Central Africa that will be built upon the achievements of UDEAC, a Monetary Union of Central Africa, a Community Parliament, and a Community Court of Justice. The French Development Fund (CCFD) has provided financial assistance to UDEAC to implement this

reform. The Bangui-based UDEAC secretariat is being transformed into the executive secretariat of CEMAC to monitor and facilitate member States' implementation of the reforms and commitments assumed under CEMAC. Intra-group trade expansion is a major objective of UDEAC which will be continued within the new community. In this regard, intra-UDEAC trade, which averaged around 4 per cent of the group's total exports in 1990 and 1991, declined to around 2.1 per cent in 1992.

33. In the Economic Community of the Great Lakes Countries (CEPGL), the civil strife in Rwanda has crippled the Gisenyi-based CEPGL secretariat and curtailed implementation of cooperation activities such as the planned establishment of a customs union beginning with the elimination of tariffs on 1 January 1995. Recorded trade among the Community members has tended to constitute less than one per cent of total Community exports.

34. A new grouping, the East African Community (EAC), was created on 30 November 1993 with the signature of a treaty by the Heads of State of Kenya, the United Republic of Tanzania and Uganda.[17] The treaty provides for the following: (i) the establishment of a tripartite commission that will be responsible for the promotion of cooperation in various fields, including political, economic, social, cultural and security matters; (ii) the tripartite commission will be headed by ministers responsible for regional cooperation and other sectoral ministers, and will have a secretariat (whose headquarters, funding and staffing are to be decided upon) to provide technical and administrative support; (iii) the immediate abolition of travel restrictions and the elimination of non-tariff barriers between the three countries; and (iv) sector cooperation in aviation, meteorology, agriculture, fisheries, animal husbandry, energy, tourism, wildlife and environmental protection, health, education, science and technology, legal and judicial issues, information exchange, training and cooperation in security operations. The tripartite commission is also directed to resolve outstanding issues of the former community of the same name, including its assets and liabilities and strengthening surviving institutions.

35. Provision was made in the treaty establishing the Preferential Trade Area for Eastern and Southern Africa States (PTA) that, 10 years following its entry into force (September 1982), measures should be taken to transform PTA into a common market. To this end in November 1993, the Treaty establishing the Common Market for Eastern and Southern Africa (COMESA) was signed by 16 member States on the occasion of the PTA Authority of Heads of State and Government meeting. The COMESA Treaty will come into force upon ratification by 11 member States, after which PTA will cease to exits as an institution. The PTA Authority also agreed to admit Eritrea, Madagascar and Seychelles into PTA, bringing the membership to 22 countries, and decided that the organization should concentrate in the coming years on critical sectors likely to make an impact on growth, development and trade. These include greater industrialization, expansion of intra-PTA trade, development of cheaper, reliable and more efficient transport and communication infrastructures, and the development of agriculture for food security and self-sufficiency. PTA aims to increase trade within the Area from the present level of about 6 per cent of total PTA exports to over 25 per cent by the year 2000 and to a higher level thereafter.

36. The signing in August 1992 of the treaty creating the Southern African Development Community (SADC) marked an important step for southern African States in forging ahead from regional cooperation — as pursued under its predecessor, the Southern African Development

Coordination Conference (SADCC) — to regional integration. The treaty entered into force on 5 October 1993. SADC will build upon the foundations laid by SADCC while emphasizing the involvement of the people and the real commitment by Governments in the community building process. To sensitize the people of the region, seminars and workshops at national and regional levels have been conducted. In 1993, five regional workshops were held covering an omnibus workshop, free movement of persons, resource mobilization, customs and trade facilitation and productive sectors. Arising from these consultative workshops, work on the elaboration of protocols was started, including one on trade. In respect of trade, SADC countries' trade with each other accounted for about 4.4 per cent of their total exports in 1992. During 1994/1995 SADC will hold five sectoral workshops. Two national seminars were held in early 1994 and eight more are scheduled for the remaining part of 1994/1995. The people-centred approach was affirmed at the 1994 SADC Annual Consultative Conference,[18] which also emphasized the harmonization of macroeconomic policies; the need to resolve issues of inequality, imbalances and dependence between the weak and strong members of SADC; and the need for a restructuring and strengthening of SADC institutions. Finally, South Africa joined SADC as its 11th member during the 1994 SADC summit.

37. In 1992 the member States of the Indian Ocean Commission (IOC) adopted an Integrated Regional Programme for the Development of Trade (PRIDE) whose objectives are to develop trade of member States with the involvement of the economic operators, ensure development of efficient production structures, promote the standardization of products and facilitate the assimilation of trade information, and eliminate tariff and non-tariff barriers to trade among IOC member States with a view to establishing a free trade area. The PRIDE programme was partially implemented by the end of 1993.

38. In respect of cooperation groupings such as the Permanent Inter-State Committee for Drought Control in the Sahel, the Council of the Entente, the Intergovernmental Authority on Drought and Development, the Organization for the Management and Development of the Kagera River Basin, the Lake Chad Basin Commission, the Liptako-Gourma Integrated Development Authority, the Niger Basin Authority, the Gambia River Basin Development Organization, and the Senegal River Development Organization, continuing financial problems arising from the non-payment of assessed contributions by some member States has led many of them to restructure their secretariats, reduce staff and to focus attention on mobilizing international technical and financial support for their subregional development programmes and projects.

### 2. Asia and the Pacific

39. In May 1992 the trade ministers of countries members of the Cooperation Council for the Arab States of the Gulf (GCC) announced the goal of creating a common market by the year 2000. In September the ministers reached agreement on the application of a unified system of tariffs to be installed by March 1993. Meanwhile trade among GCC countries has, since 1990, stabilized at around 8 per cent of total GCC exports. In respect of external cooperation, GCC and the European Union have been holding discussions on the establishment of a free trade area in selected products.

40. With the aim of reactivating cooperation under the Economic Cooperation Organization (ECO), the member States — which now include the newly independent central Asian republics — adopted the Quetta Plan of Action and the Istanbul Declaration on Long-Term Perspectives for the ECO, which provide the umbrella for activities in the ECO region for the forthcoming decade. The Quetta Plan of Action, in particular, contains guidelines and targets to be achieved by or before the year 2000 in the fields of transport and communications, trade, energy, industry, agriculture, tourism, human resource development and provides for the establishment of an ECO Special Fund for Feasibility Studies, with a subscribed contribution of US$ 300,000. Regarding trade, the share of intra-ECO trade in the group's total exports declined to about 3 per cent in the early 1990s in comparison to a share of around 10 per cent in 1985.

41. In conformity with the decision of the 1991 meeting of Heads of State and Government of the South Asian Association for Regional Cooperation (SAARC), a SAARC Preferential Trading Arrangement (SAPTA) was adopted by the April 1993 summit. Member States were urged to complete all formalities to render the SAPTA operational, including the finalization of schedules of concessions and the process of ratification before December 1995; and to start immediately the process of negotiating the exchange of trade concessions with a view to completing it by December 1993. An intergovernmental group on trade liberalization has been set up to negotiate the exchange of trade concessions. The first round of trade negotiations has already started and member States are presently exchanging request/offer lists for trade concessions. SAPTA will include trade liberalization arrangements relating to tariffs, para-tariffs, non-tariff and direct trade measures. Meanwhile, trade among SAARC countries presently accounts for between 8 and 9 per cent of total SAARC exports.

42. The enlargement of membership is a major priority of the Bangkok Agreement. Therefore the completion in December 1993 of procedures for the accession of Papua New Guinea to the Agreement, and the announcement by China in April 1994 of its accession constituted significant developments. The Agreement's objective is to expand trade and investment flows among member States; in this respect, intra-group trade has tended to fluctuate between 1.7 and 2.5 per of the group's aggregate exports since 1985.[19]

43. Pursuant to the decision of the January 1992 meeting of Heads of Government of the Association of South-East Asian Nations (ASEAN) on the establishment of an ASEAN Free Trade Area (AFTA), the AFTA Ministerial Council in December 1992 finalized the details of the common effective preferential tariff (CEPT) scheme — the mechanism for the realization of AFTA — which was then officially launched on 1 January 1993 as scheduled. The aim of this programme is to expand intra-ASEAN trade, which in 1992 accounted for about 19.4 per cent of total ASEAN exports. Quantitative restrictions and other non-tariff restrictions are also to be addressed and ASEAN member States have been exchanging lists of such restrictions. Other important developments included: the restructuring of the ASEAN machinery for economic cooperation through the abolition of the five ASEAN economic committees and the institutionalization of the Senior Economic Officials Meeting as the mechanism to oversee all aspects of economic cooperation; the completion of the restructuring of the ASEAN secretariat, with the restructured secretariat becoming operational in January 1993; continued cooperation with dialogue partners;[20] and the formation in 1994 of the ASEAN Regional Forum to promote regional security.[21] The process of regional integration is being further strengthened in east Asia

with the promotion of growth triangles to foster intraregional investment and production for exports to the region and elsewhere. One example is the Southern Triangle involving Singapore, the Malaysian State of Johore and the Riau Islands of Indonesia.

44. The Melanesian Spearhead Group (MSG), composed of Papua New Guinea, the Solomon Islands and Vanuatu, is emerging as the first "integration" grouping involving developing countries of the South Pacific. Following years of negotiation, signing and finally ratification, the MSG Trade Agreement enters into force on 1 September 1994. Under the agreement, trade among the three countries is conducted free of customs duties in respect of tuna from the Solomon Islands, tea from Papua New Guinea, and beef from Vanuatu. In this connection also, the 1994 meeting of Heads of State agreed to broaden the scope of tradable products included in the free trade agreement. The same meeting, in addition to discussing political issues affecting regional stability, agreed to expand the scope of cooperation into new areas, in particular: to collaborate closely in developing a single regional framework of law and practices to regulate their forestry industry, which is a major source of foreign exchange for the three countries; to waive visa restrictions for all categories of visitors from the three countries; to examine, through a study, the possibility of merging the individual national airlines, which have not been profitable in recent years; and to examine options for the holding of an annual Melanesian Arts Festival to promote cultural cooperation and awareness among member States as well as tourism.

### 3. Latin America and the Caribbean[22]

45. A new grouping was launched in July 1994 with the signing of the treaty creating the Association of Caribbean States (ACS) encompassing countries and territories washed by the Caribbean Sea. ACS comprises of 25 member States, namely, Antigua and Barbuda, Bahamas, Barbados, Belize, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Venezuela; and several dependent territories (as associate members), namely, Anguilla, Bermuda, Cayman Islands, Turks and Caicos Islands, British Virgin Islands, Montserrat, Guadeloupe, French Guiana, Martinique, Aruba and the Netherlands Antilles. Developed countries with dependent territories in the region (France, Netherlands) can participate as associate members responsible for the territories. The main objectives of ACS are to further economic integration, develop the potential of the Caribbean Sea and strengthen functional cooperation in political, cultural, scientific, social and technological areas.

46. The Latin American Economic System (SELA) Council in June 1994 discussed economic relations between Latin America, the Caribbean and the United States and adopted a declaration which, *inter alia*, called for the termination of all embargoes in the region and reaffirmed the principle of free trade. El Salvador will host the 1995 Council meeting.

47. The member States of the Latin American Integration Association (ALADI) have been considering a proposal advanced in early 1994 for the creation of a South American free trade zone through the gradual elimination of tariffs over 10 years. In respect of trade among ALADI countries, its share of total ALADI exports was about 10.9 per cent in 1990 and rose to about 16.7 per cent in 1992. ALADI agreements permit member States to devise subregional

preferential trade agreements which are consistent with the regional framework. Thus many new free trade agreements have been concluded, for example: (i) Colombia and Chile negotiated and agreed to a free trade scheme which takes effect in 1994 and aims to liberalize bilateral trade by 1 January 1999; (ii) the Group of Three, created in 1991 by Colombia, Mexico and Venezuela, signed an agreement in June 1994 on the creation of a free trade area through the removal of tariffs on the bulk of their intraregional trade by 10 per cent per year over 10 years. Agricultural products and vehicles which are considered sensitive would have special treatment and tariffs on them will be reduced over a longer period (13 years). The agreement is expected to come into effect in 1995.

48. The Central American Integration System (SICA) was created in 1991 to become the principal umbrella agency for integration in Central America. SICA's secretariat, which has its headquarters in El Salvador, started operations in February 1993. Since then, the secretariat has been participating in the activities of the system and promoting the establishment and functioning of the social subsystem and linkages between this subsystem and the other subsystems (cultural and economic).

49. SICA's economic subsystem is the Central American Common Market (CACM). On 1 April 1993 four of the five member States of CACM (El Salvador, Guatemala, Honduras, Nicaragua) signed an agreement on the Central American Free Trade Zone (Zona de Libre Comercio de Centroamérica), along with three basic agreements on, respectively, the central American tariff, rules on unfair practices and rules of origin. The initiative is aimed at reactivating intraregional trade liberalization and expansion. Intra-CACM trade in 1992 accounted for 13.6 per cent of the group's total exports, which was the lowest ratio attained since 1980. In addition, a protocol to the treaty establishing CACM was signed in October 1993 by the Presidents of the five member States with the President of Panama to review the original treaty and adapt it to present situation. Panama's participation followed after the Central American Presidents and their Panamanian counterpart signed a joint declaration stating their intention to make Panama a full member of CACM. Additionally, the Northern Trade Triangle (Triángulo del Norte) was established in May 1992 with the signature by the Presidents of Honduras, El Salvador and Guatemala of the declaration of Nueva Ocotepeque providing for the formation of a free trade area to be operational as of 1 January 1993. It subsequently became the Central American Group of Four (Grupo América Central 4) with the admission into the group of Nicaragua during a meeting of presidents in April 1993.

50. Pursuant to the Barahona Act signed in December 1992 at a meeting of presidents of the Andean Group and subsequent decisions of the Commission of the Cartagena Agreement, a free trade area came into effect on 1 October 1992 between Bolivia, Colombia, Ecuador and Venezuela. Trade between these countries has since been conducted without any restrictions or charges and, in 1992, it accounted for about 6.2 per cent of the Group's total exports. (Peru's participation in this measure is foreseen although it remains to be effected). In addition, a common external tariff was adopted in March 1993.[23]

51. The member States of the Southern Cone Common Market (MERCOSUR), in line with an agreed six-monthly adjusted tariff-cutting programme, initiated four tariff cutting operations over the period 1992 to 1993, which resulted in a total reduction of customs duties of 82 per cent.

A new set of tariff cuts (7 percentage points) was effected on 1 January 1994, while the list of exceptions to preferential trade liberalization was reduced by 20 per cent. The aim is to achieve total free trade by 31 December 1994. Meanwhile, trade among MERCOSUR countries in 1992 accounted for around 18.2 per cent of the group's total exports. A common external tariff is also envisaged and member States have been meeting to address contentious issues, particularly the level of the tariff and its date of application. In respect of relations with other countries in the region, MERCOSUR member States agreed in May 1994 to jointly negotiate preferential trade agreements in the region.

52. In 1989 the Conference of Heads of State and Government of the Caribbean Community (CARICOM) established a working group to review CARICOM's common external tariff. The group presented its report to a special CARICOM conference in October 1992 which agreed to a phased reduction of the common external tariff beginning January 1993 to a maximum of 25 per cent by 1998. Intra-Community trade in 1992 accounted for about 9.0 per cent of the Community's total exports which was about the highest level attained since 1980. With a view to fostering trade cooperation with neighbouring countries, the first CARICOM/Central America Ministerial Conference was held in January 1992 and agreement was reached on the creation of a permanent institutional arrangement, the CARICOM/Central America Consultative Forum, to pursue cooperation between the two subregions. Similarly, in October 1992, a CARICOM/Venezuela Trade and Investment Agreement was signed, to enter into force on 1 January 1993. It provides for one-way duty free access of CARICOM goods to the Venezuelan market.

53. The special CARICOM conference in October 1992 also considered a report entitled "Time for Action" presented by the 15-member West Indian Commission that was established by the 1989 CARICOM conference to make recommendations for deepening the integration process and strengthening CARICOM. The special conference basically adopted the main recommendations of the report and their subsequent implementation has initiated a series of change within the Community. The recommendations include: the establishment of the Caribbean Community of Ministers (comprising the CARICOM ministers in each member States) which would eventually replace the Common Market Council as the second highest organ of CARICOM; the adoption of a "charter of civil society" for CARICOM; amendments to the Treaty of Chaguaramas establishing CARICOM, as a means of updating the provisions of the Community's legal framework for the 21st century; and the establishment of an Association of Caribbean States (see paragraph 45). Also established was a Bureau of the CARICOM Conference comprising three heads of State and the Secretary-General with competence to "initiative proposals, update consensus, mobilize action and secure implementation of CARICOM decisions in an expeditious and informed manner". The Bureau held its first meeting and has begun to address some of the key and pressing issues before the Community such as facilitating the implementation of CARICOM decisions and overseeing the restructuring of CARICOM institutions and organs.[24]

## B. Interregional developments

54. Developing countries have also been active in strengthening economic cooperation at the interregional level. An important aim of the Africa, Caribbean and Pacific (ACP) Group of States is to ensure the realization of the objectives of the Lomé Conventions. Thus the ACP Group is presently preparing for the mid-term review of the Lomé IV Convention, which was signed in 1991 for a duration of 10 years. The first five years of the Convention had funding from the European Union amounting to of 12 billion European Currency Units (ECU) (US$ 14.4 million). The ACP Group hopes the European Union will increase the funding for the next five years above the original level. The mid-term review is to be completed by February 1995.

55. Within the framework of the Group of 77, the Inter-Governmental Follow-up and Coordination Committee on ECDC (IFCC) monitors developments pertaining to the Caracas Programme of Action of the Group of 77. During its eighth meeting at Panama City from 20 August to 3 September 1993, the Group reviewed the Caracas Programme of Action and made a number of recommendations in the areas of trade, technology, food and agriculture, raw materials, industrialization and technical cooperation. The meeting also agreed that environment and human resource development be integrated into future programmes.[25]

56. The Global System of Trade Preference among Developing Countries (GSTP), which has its roots in the Caracas Programme of Action mentioned above, now comprises 40 participating countries from the Group of 77, including six least developed countries. Trade flows moving under the GSTP agreement have been increasing gradually but they remain modest. On 21 November 1991, the GSTP Ministerial Meeting in Teheran (Islamic Republic of Iran) adopted the Teheran declaration launching the second round of GSTP negotiations with the aim of facilitating the process of accession to the GSTP agreement and carrying forward the exchange of concessions. The Teheran declaration provided for the establishment of the GSTP Negotiating Committee for the Second Round. The Negotiating Committee held its first session on 2 July 1992 and adopted its plan for the second round which established four subsidiary bodies in the following areas: facilitation of accession, product-by-product negotiation, across-the-board tariff negotiations, and direct trade measures, non-tariff and sectoral agreements. The four negotiating groups commenced their work in March 1993.

57. The Conference of Heads of State and Government of the Non-Aligned Movement (NAM) held in September 1992 in Indonesia concluded with the adoption of the "Jakarta Message" reaffirming the rationale of NAM, urging NAM to play a more active role in international relations and, in this respect, calling for a shift in international relations towards a strengthening of multilateral cooperation for development. In addition the Chair-country of NAM, Indonesia, elaborated an Economic Agenda for Priority Action 1992-1995 of NAM, consisting of high-priority follow-up activities to the Conference which the Chair-country intends to implement during that period.

58. The Summit Level Group for South-South Consultation and Cooperation (G-15) held its fourth meeting at New Delhi (India) in March 1994.[26] The meeting decided to broaden the scope of intra-Group economic cooperation through the establishment of a committee on trade, investment and technology, which will endeavour to evolve trans-regional arrangements with

features such as trade liberalization, facilitation and promotion. The private sector will be closely associated with this initiative and the committee will also establish interactive links with related G-15 projects to reinforce their complementarities and utilize fully the opportunities created. The meeting also agreed to provide for meetings of G-15 ministers of foreign affairs, economic affairs, trade, agriculture, environment and science and technology on a regular basis in the inter-summit period. A business forum, which was held in combination with the summit, drew up time-bound action plans for strengthening transport, financial and information infrastructure for intra G-15 trade.

59. More than 10 countries from the Organization of the Islamic Conference (OIC) have signed a framework agreement on the creation of a preferential trade system that was drafted in 1991 to promote trade growth. The agreement will take effect when a total of 10 of the signatory member States have ratified it.

### C. Mixed groupings

60. The establishment of the Asia Pacific Economic Cooperation (APEC) secretariat in January 1993 in Singapore transformed APEC from an informal dialogue group to a formal institution comprising all the major economies of the Asia-Pacific region. The APEC secretariat provides APEC with the institutional base for more effective cooperation on a wide range of practical projects and for cooperation with other regional institutions. In 1993 APEC senior officials and the "shepherds" — the chairpersons of the APEC Working Groups[27] — held meetings regarding their field of responsibility; and numerous seminars, study tours and other activities were sponsored by the APEC Working Groups as well as the informal Group on Trade Liberalization and the Ad Hoc Group on Economic Trends and Issues. APEC also issued several reports and publications, the Eminent Persons Group started its work and a ministerial meeting was held at Seattle (United States) at which Mexico and Papua New Guinea were admitted as new members.

61. The North American Free Trade Area (NAFTA) agreement signed by the United States, Canada and Mexico in December 1993, entered into force on 1 January 1994 after ratification by the three legislatures. NAFTA provides for the progressive elimination of all customs duties, as well as prohibitions and quantitative restrictions, in trade between the participants in respect of goods qualifying as North American under its rules of origin; except for national defense government procurement procedures will be open, over and above certain levels, to suppliers from all three countries; and significant barriers to investment will be removed as each member country will treat investors from another member country no less favourably than other investors, including its own, and financial service providers of a NAFTA country may establish affiliates in any other NAFTA country. The NAFTA agreement is accompanied by side agreements on environmental and labour standards and safeguards.

62. The South Pacific Forum (SPF), for the first time, adopted a theme for its meeting in July 1994 relating to the sustainable management of resources. The theme is of particular relevance to the island developing countries which, with the exception of a very few, have limited natural resources. The Forum's secretariat provided specialized assistance to members States which included: organizational support for the second Economic Summit of Small Island States Leaders

in January 1993, which was hosted by Tuvalu and attended by the Cook Islands, Kiribati, Nauru and Niue;[28] 22 short-term advisory service consultancies in eight SPF island countries and six subregional consultancies; awarding of about 60 fellowships to beneficiaries from 12 SPF island countries in various development fields; and the provision of a total of 40,000 Fiji dollars each was provided from a regional disaster relief fund to Papua New Guinea, the Marshall Islands and Vanuatu, which were struck by natural disasters.[29]

## Chapter III
## TECHNICAL ASSISTANCE

63. Over the period 1992 to 1993, the UNCTAD secretariat provided advisory support and implemented several technical assistance projects having a direct bearing on ECDC. These activities were normally carried out in cooperation and partnership with interested donor countries and other United Nations bodies, including the United Nations Development Programme and the regional economic commissions.[30] Some new initiatives were also launched.

### A. Integration groupings

64. Assistance to ECOWAS covered activities aimed at enhancing its trade liberalization, improving monetary and financial cooperation and establishing a coastal shipping service. A consultant was recruited to assist ECOWAS in establishing a work programme which would assist member States in elaborating a common external tariff. The work programme was established and, in conformity with it, a survey of the different protection systems applied by ECOWAS member countries was made. In respect of monetary cooperation, four studies aimed at preparing the ground for greater currency convertibility and the establishment of a single monetary zone were also made. The survey of protective measures and the four studies were submitted to the appropriate organs of ECOWAS. Suggestions regarding follow-up technical assistance were made, but no successor project has so far been approved. In respect of the coastal shipping service, the Follow-up Committee, which was created in 1991, drew up a work programme, including a market study. It also initiated actions for the mobilization of potential investors, and examined the types of vessel most suited for the service. All activities have slowed down for lack of financial resources.

65. Assistance to ECCAS involved the liberalization of trade, creation of a customs union and establishment of a common external tariff. The second and third parts of a study on ECCAS rules of origin and a study on a compensation scheme for loss of fiscal revenue resulting from the implementation of the grouping's trade liberalization scheme were completed. A consultant assisted the ECCAS secretariat in formulating a work programme for the establishment of a common external tariff. All these studies were submitted to the ECCAS secretariat but no feedback has been received, mainly because of reduced activity of ECCAS as a consequence of the acute financial crisis. Technical cooperation activities ended in December 1992, and a successor project, although necessary, has not been approved as yet.

66. A new project of technical assistance to UMA was launched in 1994. Preparatory work has started on two activities, namely, a study on a compensation scheme for loss of fiscal revenue resulting from implementation of trade preferences and the organization of a meeting of Maghrebian enterprises in early 1995.

67. Progress in the establishment of a regional investment information and promotion service for Asia and the Pacific, within the framework of the Bangkok Agreement, was delayed due to lack of sufficient funds. To address this problem and continue with the initiative, a new

feasibility study and programme of action is being developed by the secretariat of the Economic and Social Commission for Asia and the Pacific.

68. In addition to the above activities, several advisory missions were performed by UNCTAD staff and interregional advisers to groupings in Africa (ECOWAS, OAU, PTA, SADC, UMA), Asia (ASEAN, Bangkok Agreement, ECO, SAARC) and Latin America and the Caribbean (CARICOM, OECS, SICA).

### B. Payments and clearing arrangements

69. Assistance to the Arab Trade Financing Programme (ATFP) included the preparation of detailed terms of reference for activities aimed at the establishment of systems and procedures for financing intra-Arab trade. This included the preparation of a manual on the procedures for loans and credits to be extended by ATFP to national agencies, a short guidebook in conjunction with the manual, and seminars for staff of national agencies concerning the ATFP. Assistance was also provided with the help of a consultant to the Asian Clearing Union (ACU) for the preparation of a study dealing with the prospects for broadening, deepening and diversifying the functions of ACU in the 1990s.

### C. Enterprise cooperation

70. The Association of African Trading Enterprises (ASATRADE) was assisted in establishing improved relations with partners in the Canary Islands (Spain). A cooperation agreement was drawn up between ASATRADE and the Chamber of Commerce of Tenerife (Canary Islands, Spain), covering several aspects including reciprocal trade missions and the training of representatives of African enterprises in marketing techniques. An analysis of the possibilities of export expansion of Cape Verde towards Latin America was made and a report dealing with the export potential of sub-Saharan free zones[31] was finalized. In addition, within the general context of cooperation between African and Latin American countries, the UNCTAD secretariat prepared a report on sub-Saharan African free zones (UNCTAD/ECDC/225, Part I and II), and a report on the current situation and prospects for trade and economic cooperation between Africa and Latin America (UNCTAD/ECDC/241, 24 February 1994). These reports will serve as documentation for a symposium to be organized in November 1994 on the impact of the results of the Uruguay Round of Multilateral Trade Negotiations on cooperation among free zones of developing countries. The symposium will examine in particular the implications of the changes in the international trading system on the context in which the free zones operate, and develop new forms of cooperation among these free zones.

### D. Global System of Trade Preferences among Developing Countries

71. Technical cooperation activities in support of the GSTP were carried out with funding from the Pérez Guerrero Trust Fund and contributions from the GSTP Trust Fund. In the course of 1992 and 1993, technical support was provided through the GSTP project towards the

implementation of the GSTP concessions. The activities related to the servicing of formal and informal meetings of the GSTP bodies and the tabulation of trade control measures; standard forms were proposed and used for the submission of offer and requests, and technical support extended in the area of across-the-board tariff negotiations (see also paragraph 56).

### E. Technology

72. In response to the rapid pace of technological change and its increasing complexity, which has induced countries, enterprises and research institutions to intensify their search for new approaches in economic as well as in technological cooperation, the UNCTAD secretariat launched an initiative aimed at encouraging technological cooperation among developing countries. In the course of 1992-1993 a paper entitled "Technological cooperation among developing countries: an examination of selected issues", which describes the broad characteristics of modalities of cooperation in the field of technology, was prepared and circulated to experts. In 1993 a workshop on cooperation in technological research and modalities for application or commercialization of results, involving research institutions and enterprise associations, was approved for implementation through the Asian and Pacific Centre for Technology Transfer, jointly with UNCTAD. The workshop is scheduled to take place in November 1994.

## NOTES

1. See "Report of the Standing Committee on Economic Cooperation among Developing Countries on its first session", held at the Palais des Nations, Geneva, from 11 to 15 January 1993 (United Nations, New York 1993: TD/B/39(2)/16-TD/B/CN.3/5, annex I).

2. "Review of major developments in the area of economic cooperation among developing countries" (TD/B/CN.3/3, 4 December 1992).

3. For more discussion on the economic reforms in developing countries, including trade policy developments, see *Trade and Development Report, 1993* (United Nations publication, Sales No. E.93.II.D.10).

4. UNCTAD maintained a stand at the fair to display and distribute UNCTAD documents relating to trade promotion; participated in a symposium on trade promotion for which a technical report had been prepared entitled "Review and prospects of trade, monetary and financial cooperation between African and Arab countries" (UNCTAD/ECDC/Misc.118, 26 October 1993); and, at the request of various delegations, organized a meeting to provide information to participants on the role and activities of UNCTAD.

5. The report of the second conference is being prepared by the UNCTAD secretariat.

6. This issue is discussed in an UNCTAD secretariat document entitled "Analysis of trade and trade strategies among developing countries" (UNCTAD/ECDC/242, 22 June 1994).

7. For relevant discussion see UNCTAD secretariat document entitled "Impediments and disincentives to trade among developing countries: a survey" (UNCTAD/ECDC/244).

8. For discussion see UNCTAD/ECDC/242.

9. The assessment in this section is based on an UNCTAD secretariat document entitled "Clearing and payments arrangements among developing countries: recent developments, long-term policy considerations" (UNCTAD/ECDC/238, 4 February 1994).

10. UNCTAD/ECDC/238, para. 43 and table 3, p. 38.

11. The African Export-Import Bank was created in 1993 by 113 parties involving 42 Governments and central banks (Class A shareholders), 62 private African financial institutions (Class B shareholders) and 9 non-regional bodies (Class C shareholders). Created with an initial capital of US$ 750 million to be completed over a period of 8 years, the Cairo-based AFREXIMBANK's objectives are to encourage trade and commercial relations among African countries, promote non-traditional exports outside the continent, extending financial facilities to African clients with soft or reduced financial terms, remove barriers affecting the flow of trade among African countries and between African countries and third parties. The shareholders consist of African Governments and their central banks (65%), African commercial banks and insurance companies (10%), non-African commercial and financial institutions and insurance companies (25%). The biggest shareholder is Egypt with US$ 103 million investment. The bank technically started operations on 1 September 1994.

12. See "Review and prospects of monetary and financial cooperation between African and Latin American countries" (UNCTAD/ECDC/239, 4 February 1994).

13. These issues are examined in a forthcoming UNCTAD secretariat document entitled "The role of regional capital markets in enhancing resource mobilization and in promoting their efficient use".

14. The general trends and policy implications arising from these recent initiatives are described in an UNCTAD secretariat document entitled "Strengthening subregional and regional integration and fostering interregional cooperation, as well as promotion and expansion of trade among developing countries" (TD/B/CN.3/8). Further information can also be obtained from the UNCTAD secretariat document entitled "Follow-up to the recommendations adopted by the Conference at its eighth session: evolution and consequences of economic spaces and regional integration processes" (TD/B/40(1)7, 23 July 1993).

15. UNCTAD secretariat estimates based on IMF, *Direction of Trade Statistics Yearbook*, various issues.

16. CEAO was created with the signature of its constituent treaty in May 1973. The treaty entered into force in January 1974. The existence of CEAO, MRU and ECOWAS in West Africa contributed to impeding cooperation and integration as the scope of cooperation overlapped and resulted in some duplication of activities. Moreover, it polarized the subregion into English and French-speaking groupings.

17. There was an East African Community created in June 1967 when the Presidents of Kenya, the United Republic of Tanzania, and Uganda signed the constituent treaty. The treaty came into force in December of the same year and, after functioning for 10 years, the Community was dissolved in 1977.

18. SADC annual consultative conferences will in the future be convened as and when needed.

19. For a thorough analysis of the trade and investment flows among the Bangkok Agreement countries, see *Expansion of trade and investment among ESCAP developing countries within a regional framework* (United Nations publication, 1992, ST/ESCAP/1185).

20. For details see *Annual report of the ASEAN standing committee, 1992 - 1993.*

21. The ASEAN Regional Forum brings together the ASEAN member States, Lao People's Democratic Republic, Cambodia, Viet Nam, Myanmar and several other developed and developing countries to engage in a regional security dialogue.

22. See also a forthcoming UNCTAD secretariat document entitled "Regionalization and integration into the world economy: the Latin America experience in trade, monetary and financial cooperation".

23. For details, see "Country presentation by Colombia" (TD/B/WG.4/Misc.8, 11 August 1993).

24. Further details are available in the *Annual report of the Secretary-General of the Caribbean Community, 1992* (CARICOM Secretariat, Georgetown, Guyana, 1993).

25. See the final report of the meeting reference G-77/IFC-VIII/93/RPT, which is also available as General Assembly document reference A/C.2/48/5 (26 October 1993).

26. Argentina has offered to host the fifth meeting in 1995, and Zimbabwe the sixth in 1996.

27. There are 10 APEC Working Groups dealing respectively with trade and investment data, trade promotion, investment and technology transfer, human resource development, regional energy cooperation, marine resource conservation, telecommunications, transportation, tourism and fisheries.

28. At the summit, the Leaders agreed that they should explore every means for bringing about greater levels of development among the smaller island States of the SPF, including the possibility of establishing a consortium to promote private investment.

29. Further details can be obtained from the *South Pacific Forum Secretariat Annual Report: 1992-1993.*

30. An analytical review of the technical cooperation activities of UNCTAD, including the area of ECDC, is provided in the UNCTAD secretariat document entitled "Review of the technical cooperation activities of UNCTAD: technical cooperation programme of UNCTAD 1992-1993" (TD/B/WP/84).

31. Free zones go under various names but they involve an area, usually situated near a port or an airport, where goods may be freely stored for periods of varying length, prior to re-export. This category covers free ports, transit zones, duty-free zones and duty-free shops.

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# REVIEW OF MAJOR DEVELOPMENTS IN THE AREA OF ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES, INCLUDING REGULAR CONSULTATIONS AND TECHNICAL SUPPORT, ASSISTANCE AND SKILL DEVELOPMENT

Report by the UNCTAD secretariat

Addendum

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The designations employed and presentation of material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country or territory and do not necessarily express a judgement about the stage of development reached by a particular country or territory.

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# I. STATISTICAL TABLES

**Table 1**
**Intra-developing country trade by regions, 1970-1992**
**(millions of US dollars)**

Destination (importing to)

| Origin (exporting from) | | Developing | | | | | | World |
|---|---|---|---|---|---|---|---|---|
| | | Africa | America | West Asia | SSE Asia* | Oceania | Total Developing | |
| Africa developing | 1970 | 672 | 236 | 117 | 259 | 2 | 1 376 | 12 021 |
| | 1980 | 2 978 | 5 879 | 1 801 | 1 130 | 1 | 12 629 | 94 942 |
| | 1986 | 2 821 | 1 374 | 1 149 | 1 179 | 3 | 7 086 | 46 829 |
| | 1990 | 3 933 | 708 | 1 717 | 1 558 | 4 | 8 415 | 66 698 |
| | 1991 | 4 867 | 1 032 | 1 766 | 1 759 | 4 | 9 902 | 70 092 |
| | 1992 | 5 229 | 1 211 | 1 383 | 1 835 | 7 | 9 664 | 70 120 |
| America developing | 1970 | 119 | 3 029 | 37 | 148 | 8 | 3 401 | 17 513 |
| | 1980 | 2 399 | 22 985 | 1 592 | 1 419 | 108 | 28 893 | 107 879 |
| | 1986 | 1 706 | 14 903 | 1 606 | 2 373 | 12 | 20 829 | 86 045 |
| | 1990 | 1 948 | 18 174 | 2 109 | 4 915 | 32 | 27 444 | 133 596 |
| | 1991 | 1 647 | 23 139 | 2 180 | 5 697 | 54 | 32 898 | 136 644 |
| | 1992 | 1 907 | 28 941 | 2 454 | 5 675 | 33 | 39 010 | 135 429 |
| West Asia | 1970 | 260 | 234 | 781 | 837 | 27 | 2 183 | 10 543 |
| | 1980 | 3 524 | 11 745 | 11 120 | 25 709 | 112 | 53 215 | 210 976 |
| | 1986 | 3 149 | 6 734 | 11 491 | 14 299 | 39 | 36 619 | 79 150 |
| | 1990 | 5 698 | 2 452 | 12 901 | 16 321 | 54 | 38 054 | 105 976 |
| | 1991 | 6 165 | 2 626 | 12 266 | 18 342 | 58 | 39 801 | 105 129 |
| | 1992 | 2 546 | 2 815 | 16 535 | 21 683 | 0 | 43 580 | 116 121 |
| SSE Asia* | 1970 | 485 | 179 | 374 | 2 904 | 59 | 4 086 | 14 278 |
| | 1980 | 4 229 | 3 642 | 7 461 | 29 878 | 539 | 45 937 | 141 561 |
| | 1986 | 3 590 | 3 117 | 7 401 | 36 153 | 530 | 50 962 | 193 016 |
| | 1990 | 6 450 | 6 392 | 10 518 | 91 981 | 1 030 | 116 864 | 385 465 |
| | 1991 | 8 682 | 9 012 | 14 363 | 111 856 | 1 093 | 145 379 | 440 678 |
| | 1992 | 8 866 | 12 496 | 16 253 | 126 930 | 1 122 | 165 667 | 495 696 |

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page 4

**Table 1 (continued)**

| Origin (exporting from) | | Developing | | | | | | World |
|---|---|---|---|---|---|---|---|---|
| | | Africa | America | West Asia | SSE Asia* | Oceania | Total Developing | |
| Oceania developing | 1970 | 0 | 0 | 0 | 3 | 7 | 10 | 482 |
| | 1980 | 0 | 6 | 0 | 109 | 83 | 198 | 2 184 |
| | 1986 | 1 | 1 | 1 | 232 | 102 | 336 | 2 121 |
| | 1990 | 1 | 3 | 2 | 313 | 171 | 489 | 2 821 |
| | 1991 | 1 | 3 | 1 | 430 | 174 | 609 | 3 317 |
| | 1992 | 0 | 0 | 7 | 417 | 93 | 518 | 3 240 |
| Total developing | 1970 | 1 596 | 3 700 | 1 346 | 4 216 | 102 | 11 241 | 56 517 |
| | 1980 | 13 867 | 44 321 | 22 602 | 58 358 | 846 | 142 416 | 566 520 |
| | 1986 | 11 847 | 26 283 | 22 377 | 54 362 | 686 | 117 424 | 417 458 |
| | 1990 | 18 743 | 27 839 | 28 028 | 115 324 | 1 292 | 193 109 | 708 947 |
| | 1991 | 21 837 | 35 885 | 31 095 | 138 240 | 1 383 | 229 812 | 765 409 |
| | 1992 | 18 805 | 45 532 | 36 992 | 156 645 | 1 256 | 259 230 | 834 558 |
| World | 1970 | 11 836 | 18 617 | 7 059 | 17 779 | 738 | 59 137 | 311 905 |
| | 1980 | 84 367 | 126 105 | 96 520 | 150 725 | 2 994 | 481 201 | 2 000 949 |
| | 1986 | 60 525 | 97 984 | 80 428 | 175 693 | 3 147 | 439 368 | 2 112 988 |
| | 1990 | 81 938 | 132 109 | 101 501 | 369 602 | 5 036 | 715 950 | 3 391 906 |
| | 1991 | 81 869 | 150 012 | 113 860 | 422 665 | 5 153 | 787 869 | 3 438 566 |
| | 1992 | 82 803 | 177 717 | 133 460 | 468 603 | 5 371 | 867 955 | 3 685 967 |

**Source:** UNCTAD secretariat calculations based on data from UNSTAT.

**Note:** *South and South East Asia (excluding China).

**Table 2**
**Share of manufactured goods in trade, 1970-1991**
(percentage)

Destination (importing to)

| Origin (exporting from) | Developing | | | | | World |
|---|---|---|---|---|---|---|
| | Africa | America | West Asia | SSE Asia* | Total | |
| Africa devg | | | | | | |
| 1970 | 48.1 | 3.4 | 25.6 | 4.2 | 27.1 | 7.0 |
| 1980 | 18.9 | 0.8 | 5.6 | 20.1 | 7.5 | 4.0 |
| 1986 | 33.4 | 5.2 | 25.6 | 31.1 | 23.9 | 11.2 |
| 1990 | 32.5 | 10.3 | 36.2 | 34.8 | 30.3 | 15.1 |
| 1991 | 32.2 | 6.2 | 34.6 | 37.9 | 29.7 | 15.2 |
| America devg | | | | | | |
| 1970 | 19.3 | 25.6 | 5.4 | 13.5 | 24.1 | 10.6 |
| 1980 | 27.9 | 30.4 | 17.0 | 16.6 | 28.4 | 14.7 |
| 1986 | 38.5 | 35.7 | 29.4 | 36.5 | 35.2 | 24.4 |
| 1990 | 42.4 | 50.2 | 31.4 | 49.0 | 47.6 | 30.8 |
| 1991 | 34.7 | 50.2 | 42.6 | 44.9 | 47.8 | 31.2 |
| West Asia | | | | | | |
| 1970 | 14.2 | 0.9 | 22.4 | 2.0 | 10.8 | 4.4 |
| 1980 | 9.6 | 0.1 | 28.6 | 1.2 | 7.2 | 3.0 |
| 1986 | 18.7 | 0.2 | 40.3 | 4.2 | 16.0 | 12.8 |
| 1990 | 16.8 | 1.8 | 37.5 | 9.0 | 19.5 | 19.0 |
| 1991 | 17.1 | 1.9 | 39.0 | 10.0 | 19.5 | 19.1 |
| SSE Asia* | | | | | | |
| 1970 | 68.5 | 59.8 | 51.3 | 37.7 | 44.2 | 43.5 |
| 1980 | 71.6 | 57.1 | 66.4 | 46.3 | 52.4 | 51.0 |
| 1986 | 66.0 | 77.6 | 71.0 | 61.4 | 63.8 | 70.6 |
| 1990 | 75.3 | 86.2 | 76.7 | 70.8 | 72.3 | 77.8 |
| 1991 | 79.8 | 87.2 | 77.9 | 72.6 | 74.4 | 78.9 |
| Total developing | | | | | | |
| 1970 | 47.7 | 24.6 | 32.1 | 28.6 | 30.3 | 18.5 |
| 1980 | 37.5 | 20.7 | 39.9 | 25.2 | 26.9 | 18.5 |
| 1986 | 42.6 | 30.3 | 50.5 | 44.5 | 41.6 | 43.4 |
| 1990 | 45.3 | 53.3 | 53.0 | 60.5 | 56.5 | 54.0 |
| 1991 | 48.1 | 54.8 | 57.8 | 62.6 | 59.1 | 56.0 |
| World | | | | | | |
| 1970 | 75.1 | 69.1 | 69.7 | 62.3 | 67.5 | 60.9 |
| 1980 | 69.3 | 57.8 | 71.6 | 56.0 | 61.5 | 54.2 |
| 1986 | 68.2 | 64.0 | 72.0 | 67.2 | 66.4 | 67.6 |
| 1990 | 69.3 | 73.0 | 71.1 | 74.7 | 72.4 | 71.1 |
| 1991 | 69.1 | 74.4 | 74.1 | 75.5 | 74.3 | 72.3 |

**Source:** UNCTAD secretariat calculations based on data from UNSTAT.

**Note:** Manufactured goods: SITC 5 to 8 less 68.
*South and South East Asia (excluding China).

**Table 3**
**Mutual trade performance of economic integration groupings of developing countries, 1981 to 1992**

| Country group | 1980 | 1985 | 1986 | 1990 | 1991 | 1992 |
|---|---|---|---|---|---|---|
| A. Value of intra-group trade (millions of US dollars) | | | | | | |
| **Africa** | | | | | | |
| UMA | 110 | 274 | 281 | 727 | 772 | 945 |
| CEAO | 296 | 297 | 300 | 575 | 520 | 534 |
| ECCAS | 98 | 118 | 123 | 171 | 146 | 158 |
| CEPGL | 5 | 10 | 8 | 6 | 7 | 7 |
| ECOWAS | 1056 | 1 018 | 970 | 1 145 | 1 207 | 1 567 |
| MRU | 2 | 4 | 4 | 6 | 6 | .. |
| PTA | 693 | 408 | 455 | 662 | 642 | 707 |
| SADC | 107 | 198 | 207 | 360 | 303 | 333 |
| UDEAC | 200 | 50 | 84 | 139 | 111 | 120 |
| **America** | | | | | | |
| ALADI | 10 270 | 6 779 | 9 220 | 12 320 | 14 950 | 18 588 |
| ANDEAN GROUP | 955 | 672 | 622 | 13 221 | 1 950 | 1 884 |
| MERCOSUR | 3 424 | 1953 | .. | 4 127 | 5 103 | 7 007 |
| CACM | 1 141 | 671 | 620 | 640 | 690 | 796 |
| CARICOM | 354 | 340 | 300 | 380 | 362 | 368 |
| OECS | 9 | 910 | .. | 30 | 33 | 36 |
| **Asia** | | | | | | |
| ASEAN | 11 918 | 12 713 | 11 096 | 26 290 | 31 400 | 30 858 |
| BANGKOK AGR. | 517 | 1 026 | 994 | 1 151 | 1 670 | 1 941 |
| ECO | 500 | 2 410 | 1 750 | 1 264 | 1 262 | 1 128 |
| GCC | 4 632 | 3 101 | .. | 7 230 | 7 031 | 7 150 |
| SAARC | 639 | 605 | .. | 811 | 974 | 1 052 |
| B. Intra-group trade as a percentage of total exports of each group | | | | | | |
| **Africa** | | | | | | |
| UMA | 0.3 | 1.0 | 1.5 | 2.3 | 2.4 | 3.0 |
| CEAO | 6.9 | 7.1 | 6.5 | 10.8 | 10.6 | 10.5 |
| ECCAS | 2.4 | 2.1 | 2.7 | 2.3 | 1.9 | 2.1 |
| CEPGL | 0.2 | 0.8 | 0.6 | 0.5 | 0.7 | 0.4 |
| ECOWAS | 3.9 | 5.2 | 7.5 | 5.6 | 6.1 | 7.8 |
| MRU | 0.1 | 0.4 | 0.4 | 0.7 | 0.7 | .. |
| PTA | 12.1 | 5.6 | 6.9 | 6.6 | 6.5 | 6.7 |
| SADC | 5.1 | 4.8 | 5.4 | 5.2 | 4.4 | 4.4 |
| UDEAC | 4.1 | 2.0 | 3.0 | 4.3 | 4.2 | 2.1 |
| **America** | | | | | | |
| ALADI | 13.5 | 9.6 | 11.5 | 10.9 | 13.2 | 16.7 |
| ANDEAN GROUP | 3.5 | 3.1 | 3.3 | 4.2 | 6.5 | 6.2 |
| MERCOSUR | 11.6 | 5.6 | .. | 12.1 | 15.3 | 18.2 |
| CACM | 22.0 | 15.9 | 17.7 | 15.6 | 16.4 | 13.6 |
| CARICOM | 6.4 | 5.5 | 5.4 | 5.6 | 5.3 | 9.0 |
| OECS | 19.7 | 6.5 | .. | 8.2 | 7.7 | 7.4 |
| **Asia** | | | | | | |
| ASEAN | 17.8 | 17.9 | 16.7 | 18.5 | 19.3 | 19.4 |
| BANGKOK AGR. | 1.8 | 2.5 | 2.2 | 1.7 | 1.8 | 2.4 |
| ECO | 2.7 | 10.0 | 9.1 | 3.7 | 3.5 | 3.0 |
| GCC | 3.0 | 4.9 | .. | 8.3 | 8.5 | 7.6 |
| SAARC | 5.0 | 4.5 | .. | 8.6 | 9.1 | 8.6 |

**Source:** UNCTAD, **Handbook of International Trade and Development Statistics**, various supplements; and IMF **Direction of Trade Statistics**

**Note:** Not all country groups have extended or implemented mutual trade preferences.

**Table 4**
**Intra-group imports and level of transactions channelled/cleared in clearing and payments arrangements of developing countries (millions of US dollar)**

| Year | Intra-group imports | Total transactions channelled though the system | Net settlement in foreign exchange | Ratios (percentages) | |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4)= (2/1) | (5)= (3/2) |
| **ACU** | | | | | |
| 1986 | 1 069.2 | 690.6 | 217.0 | 65 | 31 |
| 1987 | 1 105.6 | 625.3 | 227.8 | 57 | 36 |
| 1988 | 1 222.7 | 940.8 | 242.3 | 77 | 26 |
| 1989 | 1 581.3 | 1 041.7 | 208.3 | 66 | 20 |
| 1990 | 1 852.5 | 1 356.1 | 482.8 | 73 | 36 |
| 1991 | 2 265.0 | 1 821.4 | 420.2 | 80 | 23 |
| 1992 | 2 500.0 | 1 953.9 | 765.9 | 78 | 39 |
| **CACH** | | | | | |
| 1986 | 466.2 | 189.3 | 40.4 | 41 | 21 |
| 1987 | 526.2 | 29.3 | ... | 6 | ... |
| 1988 | 565.4 | 5.6 | ... | 1 | ... |
| 1989 | 599.3 | 1.6 | ... | 0 | ... |
| 1990 | 639.3 | 0.1 | 0.0 | 0 | ... |
| 1991 | 675.0 | 140.7 | 60.0 | 21 | 43 |
| 1992 (Jan-July) | 272.1 | 56.2 | 45.2 | 21 | 80 |
| **CHCAS** | | | | | |
| 1986 | 125.0 | 1.3 | 1.2 | 1 | 92 |
| 1987 | 128.0 | 1.5 | 1.4 | 1 | 91 |
| 1988 | 193.0 | 1.1 | 0.8 | 1 | 73 |
| 1989 | 235.0 | 1.6 | 1.6 | 1 | 100 |
| 1990 | 210.0 | 1.1 | 0.9 | 1 | 77 |
| 1991 | 153.0 | 1.2 | 1.0 | 1 | 81 |
| **ALADI** | | | | | |
| 1986 | 7 674.0 | 6 672.6 | 1 066.3 | 87 | 16 |
| 1987 | 8 711.0 | 7 491.8 | 1 264.2 | 86 | 17 |
| 1988 | 9 651.0 | 8 752.6 | 1 458.0 | 91 | 17 |
| 1989 | 11 147.0 | 10 136.9 | 2 512.6 | 91 | 25 |
| 1990 | 12 381.0 | 10 019.6 | 3 469.0 | 81 | 35 |
| 1991 | 15 620.0 | 11 610.0 | 2 876.4 | 74 | 25 |
| 1992 | 19 960.0 | 13 772.0 | 3 845.0 | 69 | 28 |
| **PTA** | | | | | |
| 1986 | 482.0 | 69.7 | 36.0 | 14 | 52 |
| 1987 | 492.0 | 113.7 | 62.3 | 23 | 55 |
| 1988 | 558.0 | 190.6 | 95.1 | 34 | 50 |
| 1989 | 579.0 | 282.6 | 132.6 | 49 | 47 |
| 1990 | 580.0 | 263.9 | 111.6 | 46 | 42 |
| 1991 | 662.0 | 238.1 | 80.2 | 36 | 34 |
| 1992 | ... | 191.8 | 59.7 | ... | 31 |
| **WACH** | | | | | |
| 1986 | 970.0 | 89.6 | 77.2 | 9 | 86 |
| 1987 | 1 132.0 | 58.4 | 55.4 | 5 | 95 |
| 1988 | 1 298.0 | 32.6 | 23.3 | 3 | 71 |
| 1989 | 1 503.0 | 13.9 | 9.5 | 1 | 68 |
| 1990 | 1 272.0 | 48.0 | 10.3 | 4 | 21 |
| 1991 | 1 357.0 | 17.0 | 9.2 | 1 | 54 |

Source: Clearing and payments arrangements among developing countries: recent developments, long-term policy considerations (UNCTAD/ECDC/238, 4 February 1994: Table 1, p. 37).

# II. LIST OF MAJOR ECONOMIC COOPERATION AND INTEGRATION GROUPINGS AND THEIR MEMBERSHIP[1]

## A. AFRICA

African Economic Community (AEC)[2]
Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Djibouti, Egypt, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libyan Arab Jamahiriya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sahrawi Democratic Arab Republic, Sao Tomé and Principe, Senegal, Seychelles, Sierra Leone, Somalia, Sudan, Swaziland, Togo, Tunisia, Uganda, United Republic of Tanzania, Zaire, Zambia, Zimbabwe

Arab Maghreb Union (UMA)
Algeria, Libyan Arab Jamahiriya, Mauritania, Morocco, Tunisia

Economic Community of West African States (ECOWAS)
Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo

West African Economic Community (CEAO)[3]
Benin, Burkina Faso, Côte d'Ivoire, Mali, Mauritania, Niger, Senegal

Mano River Union (MRU)
Guinea, Liberia, Sierra Leone

Central African Customs and Economic Union (UDEAC)
Cameroon, Central African Republic, Chad, Congo, Gabon, Equatorial Guinea

Economic Community of Central African States (ECCAS)
Burundi, Cameroon, Central African Republic, Chad, Congo, Gabon, Equatorial Guinea, Rwanda, Sao Tomé and Principe, Zaire

Economic Community of the Great Lakes Countries (CEPGL)
Burundi, Rwanda, Zaire

Preferential Trade Area for Eastern and Southern African States (PTA)
Angola, Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, Somalia, Sudan, Swaziland, Uganda, United Republic of Tanzania, Zambia, Zimbabwe

Southern African Development Community (SADC)[4]
Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, United Republic of Tanzania, Zambia, Zimbabwe

Southern African Customs Union (SACU)
Botswana, Lesotho, Namibia, Swaziland, South Africa

India Ocean Commission (IOC)
Comoros, Madagascar, Mauritius, Réunion, Seychelles

Permanent Inter-State Committee on Drought Control in the Sahel (CILSS)
Burkina Faso, Cape Verde, Chad, Gambia, Guinea-Bissau, Mali, Mauritania, Niger, Senegal

Intergovernmental Authority on Drought and Development (IGADD)
Djibouti, Eritrea, Ethiopia, Kenya, Sudan, Uganda

Organization for the Development of the Senegal River (OMVS)
Mali, Mauritania, Senegal

Organization for the Planning and Development of the Kagera Basin (KBO)
Burundi, Rwanda, United Republic of Tanzania, Uganda

Lake Chad Basin Commission (LCBC)
Cameroon, Chad, Central African Republic, Niger, Nigeria

## B. ASIA AND THE PACIFIC

Cooperation Council for the Arab States of the Gulf (GCC)
Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates

Economic Cooperation Organization (ECO)
Afghanistan, Azerbaijan, Islamic Republic of Iran, Kazakhastan, Kyrgyzstan, Pakistan, Tajikistan, Turkemenistan, Turkey, Uzbekistan

Bangkok Agreement[5]
Bangladesh, India, Republic of Korea, Lao People's Democratic Republic, Sri Lanka

South Asian Association of Regional Cooperation (SAARC)
Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka

Association of South East Asian Nations (ASEAN)
Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand

Melanesian Spearhead Group (MSG)
Papua New Guinea, Solomon Islands, Vanuatu

## C. LATIN AMERICA AND THE CARIBBEAN

Latin American Economic System (SELA)
Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Peru, Suriname, Trinidad and Tobago, Uruguay, Venezuela

Latin American Integration Association (ALADI)
Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela

Treaty for Amazonian Cooperation
Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname, Venezuela

Central American Integration System (SICA)
Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama

Central American Common Market (CACM)
Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua

Andean Group
Bolivia, Colombia, Ecuador, Peru, Venezuela

Southern Cone Common Market (MERCOSUR)
Argentina, Brazil, Paraguay, Uruguay

River Plate Basin System
Argentina, Bolivia, Brazil, Paraguay, Uruguay

Caribbean Community (CARICOM)
Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago

Organization of Eastern Caribbean States (OECS)
Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines

## D. INTERREGIONAL

Africa, Caribbean and Pacific (ACP) Group of States
Angola, Antigua and Barbuda, Bahamas, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Djibouti, Dominica, Dominican Republic, Equatorial Guinea, Eritrea, Ethiopia, Fiji,

Gabon, Gambia, Ghana, Grenada, Guinea, Guinea-Bissau, Guyana, Haiti, Jamaica, Kenya, Kiribati, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Papua New Guinea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tomé and Principe, Senegal, Seychelles, Sierra Leone, Solomon Islands, Somalia, Sudan, Suriname, Swaziland, Togo, Tonga, Trinidad and Tobago, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Zaire, Zambia, Zimbabwe

GATT Protocol on Trade Negotiations among Developing Countries
Bangladesh, Brazil, Chile, Egypt, India, Isreal, Republic of Korea, Mexico, Parkistan, Paraguay, Peru, Philippines, Romania, Tunisia, Turkey, Uruguay, former Yugoslavia

Global System of Trade Preferences among Developing Countries (GSTP)[6]
Algeria, Argentina, Bangladesh, Benin, Bolivia, Brazil, Cameroon, Chile, Cuba, Democratic People's Republic of Korea, Ecuador, Egypt, Ghana, Guinea, Guyana, India, Indonesia, Islamic Republic of Iran, Iraq, Libyan Arab Jamahiriya, Malaysia, Mexico, Mozambique, Nicaragua, Nigeria, Parkistan, Peru, Philippines, Republic of Korea, Romania, Singapore, Sri Lanka, Sudan, Thailand, Trinidad and Tobago, Tunisia, United Republic of Tanzania, Viet Nam, former Yugoslavia, Zimbabwe

League of Arab States (LAS)
Algeria, Bahrain, Djibouti, Iraq, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic, Tunisia, the United Arab Emirates, Yemen

Non-Aligned Movement (NAM)
Afganistan, Algeria, Angola, Bahamas, Bahrain, Bangladesh, Barbados, Belize, Benin, Bhutan, Bolivia, Botswana, Brunei Darussalem, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Colombia, Comoros, Congo, Côte d'Ivoire, Cuba, Cyprus, Democratic People's Republic of Korea, Djibouti, Ecuador, Egypt, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Honduras, India, Indonesia, Islamic Republic of Iran, Iraq, Jamaica, Jordan, Kenya, Kuwait, Lao People's Democratic Republic, Lebanon, Lesotho, Liberia, Libyan Arab Jamahiriya, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Mauritania, Mauritius, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Oman, Pakistan, Palestine, Panama, Papua New Guinea, Peru, Philippines, Qatar, Rwanda, Saint Lucia, Sao Tomé and Principe, Saudia Arabia, Senegal, Seychelles, Sierra Leone, Singapore, Somalia, Sri Lanka, Sudan, Suriname, Swaziland, Syrian Arab Republic, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Emirates, United Republic of Tanzania, Uzbekistan, Vanuatu, Venezuela, Viet Nam, Yemen, former Yugoslavia, Zaire, Zambia, Zimbabwe

Organization of Islamic Conference (OIC)
Afganistan, Algeria, Azerbaijan, Bahrain, Bangladesh, Benin, Brunei Darussalem, Burkina Faso, Cameroon, Chad, Comoros, Djibouti, Egypt, Gabon, Gambia, Guinea, Guinea-Bissau, Indonesia, Iraq, Islamic Republic of Iran, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Malaysia, Maldives, Mali, Mauritania, Morocco, Niger, Nigeria, Oman, Parkistan, Palestine,

Qatar, Saudi Arabia, Senegal, Sierra Leone, Somalia, Sudan, Syrian Arab Republic, Tunisia, Turkmenistan, Turkey, Uganda, the United Arab Emirates, Yemen

Summit Level Group for South-South Consultation and Cooperation (G-15)
Algeria, Argentina, Brazil, Egypt, India, Indonesia, Jamaica, Malaysia, Mexico, Nigeria, Peru, Senegal, Venezuela, former Yugoslavia, Zimbabwe

Tripartite Agreement on Trade Expansion and Economic Cooperation
Egypt, India, former Yugoslavia

## E. MIXED GROUPINGS

Asia Pacific Economic Cooperation (APEC)
Australia, Brunei Darussalem, Canada, China, Hong Kong, Indonesia, Republic of Korea, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Philippines, Singapore, Taiwan Province of China, Thailand, United States of America

Black Sea Economic Cooperation Zone (BSECZ)
Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Russian Federation, Turkey, Ukraine

North American Free Trade Area (NAFTA)
Canada, Mexico, United States of America

South Pacific Forum (SPF)
Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, New Zealand, Niue Island, Papua New Guinea, Western Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu

## Notes

1. As of December 1993, on the basis of information supplied to the UNCTAD secretariat by the groupings.

2. Eritrea has yet to adhere to the treaty establishing the AEC.

3. CEAO was disbanded by a decision of the summit Heads of State and Government of member States in early 1994.

4. On 29 August 1994, SADC ratified the adhesion of South Africa as a member.

5. Two likely new members are Papua New Guinea and China: procedures for the accession of Papua New Guinea to the Agreement were completed in December 1993 and ratification is expected in 1994; while China announed in April 1994 its decision to accede to the Agreement.

6. Signatory countries yet to ratify the GSTP Agreement are Angola, Colombia, Haiti, Morocco, Qatar, Uruguay, Venezuela and Zaire.